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13th Malaysia Plan

Recalibrating Malaysia's Economy

Strategy Report

KEY INVESTMENT HIGHLIGHTS

- **Core Objective:** Increase the economic ceiling and floor while strengthening governance
- **Four Pillars:** (i) Increasing economic complexity, (ii) Enhancing social mobility, (iii) Accelerating public service reform, (iv) Improving well-being and environmental sustainability
- **Economic Targets:** (i) Real GDP growth projected at 4.5%-5.5% (2026-2030), (ii) Goal to become a high-income country with a GNP per capita of RM77,200 by 2030, (iii) Aim to be among the top 30 largest world economies
- Private sector to be a key driver of growth, with investment targeted at 6.0%. Focus on digitalization, AI, and high value "Made by Malaysia" products. Public investments of RM430 billion allocated for development projects
- Target a 40% share of compensation of employees to GDP by 2030
- Key states like Sabah, Sarawak, and Johor are positioned for accelerated economic development
- Potential beneficiaries are the Consumer, Construction and Renewable Energy sectors
- Top picks: Leong Hup (BUY, TP:RM0.90), AEON Co. (BUY, TP:RM1.77), Padini (BUY, TP:RM2.49), Life Water (BUY, TP:RM1.00), F&N (BUY, TP:RM32.68), Spritzer (BUY, TP:RM1.75), MCement (BUY, TP:RM7.49), IJM Corp (BUY, TP:RM3.74), CMSB (BUY, TP:RM1.57), SunCon (BUY, TP:RM6.44), Gamuda(BUY, TP:RM5.42), MRCB(BUY, TP:RM0.56), Sunview (BUY, TP:RM0.54), Samaiden(BUY, TP:RM1.59), Pekat (BUY, TP:RM1.86)

BACKGROUND

YAB PM Anwar Ibrahim announced the 13th Malaysia Plan (13MP) yesterday, themed "Recalibrating Development." It provides a strategic framework to implement the goals of the MADANI economy. The plan addresses key challenges facing the nation, including global economic shifts, rising living costs, stagnant wage growth, an aging population, and the effects of climate change.

Launching of 13MP.

This plan focuses on elevating the quality of life for the populace through the establishment of a social system that supports human rights and provides a dignified standard of living. The objective is to ensure the rakyat have access to essential services and opportunities for personal and intellectual growth.

To ensure access to essential services and opportunities.

Achieving the plan's objectives requires effective governance, defined by principles of transparency and decisiveness. These robust governance mechanisms are essential for ensuring the nation's resources are distributed fairly and equitably among all citizens.

Requires effective governance.

To achieve developed nation status by 2030, the plan aims to increase economic complexity through digitalization and artificial intelligence. The strategy includes fostering a culture of innovation to develop high value "Made by Malaysia" products. This will be supported by initiatives to cultivate a highly skilled workforce across various sectors. The plan also incorporates environmental sustainability as a core component of its development discourse. Our analysis and views of the 13MP are laid out below.

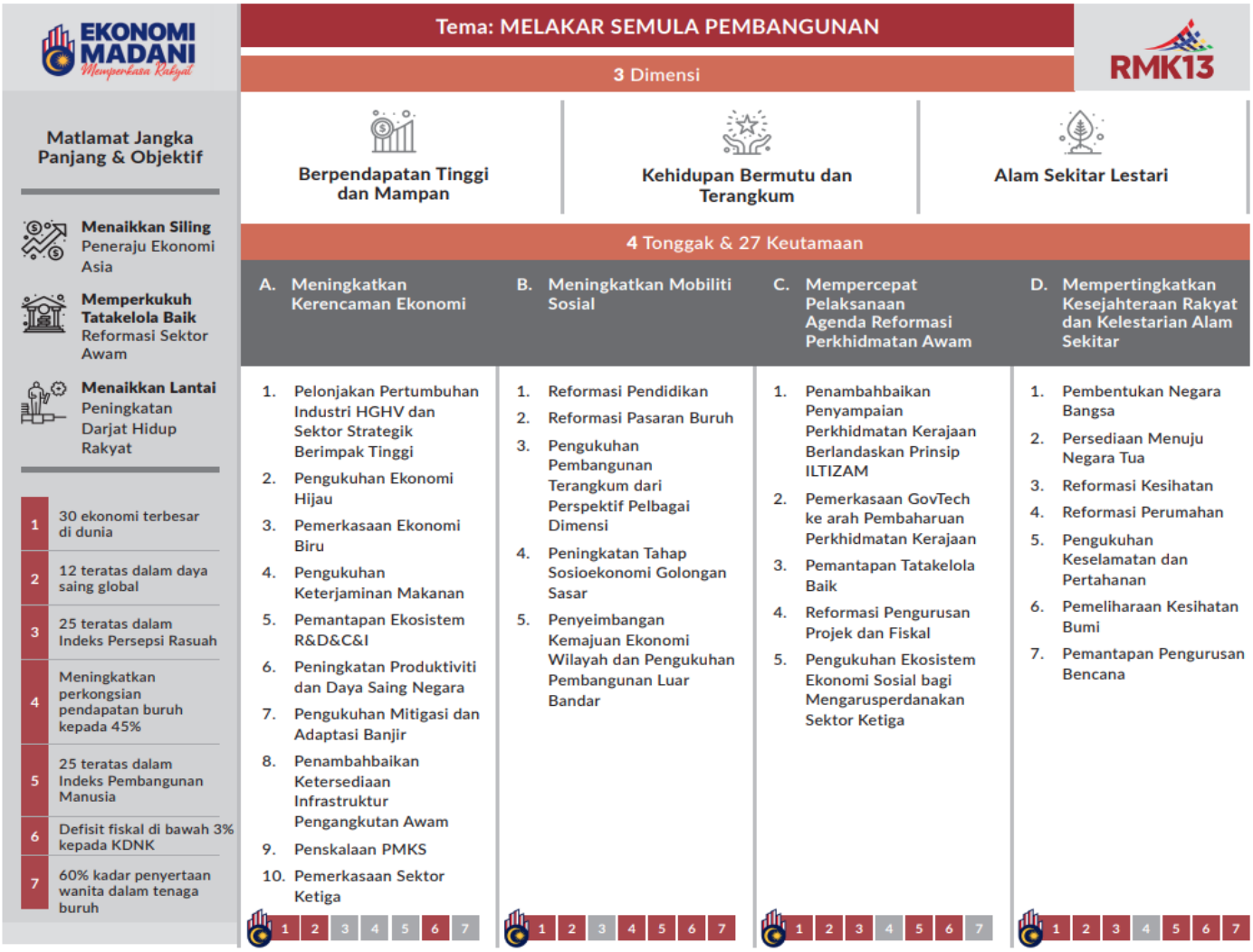
Increasing economic complexity through digitalization and artificial intelligence.

ECONOMIC & POLICY

Recalibrating development based on MADANI Principle.

The 13th Malaysia Plan (13MP), themed "Recalibrating Development" sets its socio-economic long-term objective to increase the ceiling and the floor while strengthening governance. There are nine focus areas that act as guidance to achieve the development goals. The Plan is designed with 3 dimensions; which are: 1) High-income and Sustainable Nation; 2) Quality and Inclusive Living; and 3) Sustainable Environment; which is supported by the four pillars, namely 1) increasing economic complexity; 2) enhancing social mobility; 3) accelerating implementation of public service reform agenda; and 4) improving the people's well-being and environmental sustainability. Strategies and initiatives under these pillars have been aligned with seven aspirations under the MADANI economy. This restructuring is essential to speed up the nation's transition to a value creation-based economy that operates within a sustainable environment. It also aims to strengthen spiritual and human values, forming a resilient national social system centred around the principles of MADANI.

Figure 1: 13th Malaysia Plan Framework (2026-2030)



Source: Ministry of Economy, MBSBR

Making Malaysia among top 30 large economies.

The growth target at +4.5-5.5% set for 13MP is more robust than our expectations, where this will be supported by the continued focus to promote greater investment and business activities. At the same time, the private consumption growth is expected to be sustained around +5.5%, the same pace of growth recorded in 2021-2025. Apart from measures to raise household income, promoting a more fair distribution of national income to the rakyat (that will increase the share of compensation of employees to GDP to 40%), the government also aims to make Malaysia among the 30 largest world economies, becoming a high income country with GNP per capita at RM77,200 (or USD18,294) by 2030.

Table 1: Malaysia's GDP by Expenditure & Sectoral Approach

	% of GDP			Average Annual Growth Rate %		
	2019	2024	2025F (12MP-MTR)	2030F (13MP)	2021-2025 (12MP)	2026-2030 (13MP)
Real GDP					**5.1**	**4.5-5.5**
Expenditure-Approach						
Private Expenditure	75.5	77.2	77.6	80.0	5.7	5.6
Consumption	58.7	60.7	61.8	62.3	5.5	5.5
Investment	16.8	16.5	15.9	17.7	6.5	6.0
Public Expenditure	18.4	18.0	16.2	17.3	4.6	3.9
Consumption	12.1	13.2	12.0	12.7	4.9	4.1
Investment	6.3	4.8	4.2	4.6	3.8	3.6
Net Exports	7.1	4.2	5.2	3.2	-5.8	2.0
Real Exports	63.8	68.1	68.3	64.7	6.9	4.1
Real Imports	56.7	63.9	63.1	61.5	8.1	4.3
Sectoral-Approach						
Agriculture	7.1	6.3	6.1	5.2	1.2	1.5
Mining	7.2	6.0	6.0	5.1	1.1	2.8
Manufacturing	22.2	23.1	23.9	23.8	5.1	5.8
Construction	4.7	4.0	3.7	4.3	6.5	5.0
Services	57.6	59.4	59.3	60.5	5.8	5.2

Source: DOSM, Ministry of Economy, MBSBR

Emphasis on private consumption and services sector.

The Government of Malaysia, through the Ministry of Economy, will continue to prioritise strengthening the role of domestic demand in driving economic growth. The share of private consumption is expected to hit 62.3% of the economy by 2030, higher than 60.7% recorded in 2024. By sector, the services sector's contribution to GDP reached 59.4% in 2024, surpassing the 12MP Mid-Term Review target of 59.3% for 2025. Under the 13MP, the government projects higher growth in the sector, anticipating the size to reach 60.5% of the economy by 2030. The services sector is expected to remain supported by the rebound in tourism, favourable labour market conditions, and resilient domestic demand. Real GDP growth is projected to moderate slightly, reflecting a normalisation in momentum compared to the previous Malaysia Plan, with a forecast range of +4.5%–5.5%, down from the +5.1% average recorded during 2021–2025. By component, private sector activity—through investments—is expected to grow at a slightly moderate pace compared to earlir forecasts.

Private investment-driven economic growth.

13MP GDP growth will be driven by private consumption and investment, supplemented by a positive external sector outlook. The implementation of strategic policies under the MADANI economy, specifically the New Industrial Master (NIMP), the National Energy Transition (NETR), and the National Semiconductor Strategy (NSS) will fuel the growth in the services, manufacturing, and construction sectors. Under the 13MP, the private sector is positioned as

one of the key drivers of economic growth, taking up the role of the main contributor to economic development, guided by the national policies. The strategy hinges on fostering a dynamic and competitive environment where private investment, both domestic and foreign, would spearhead the expansion into high-value and innovative sectors. According to the growth target, the private sector investment is targeted at 6.0% between 2026 to 2030 (12MP-MTR: +6.5% CAGR), compared to the growth target for the public sector of 3.6% (12MP: +3.8% CAGR). On a nominal basis, the private investment for a year is expected to range around RM417.9b, while the government investment would be at RM112.9b per year. Private enterprises are expected to boost productivity, accelerate the adoption of advanced technology, and enhance Malaysia's complexity in the global value chains.

High impact from private investments.

The strengthening of private sector investments will also depend on the measures to improve or encourage private sector participation. Measures will be taken to strengthen an investor-friendly ecosystem to attract higher-quality investments, especially in supporting the production of "Made in Malaysia" products and services. The increase in private sector investment will encourage more foreign and domestic direct investment in high-growth and high-value (HGHV) industries and strategically higher impact sectors. Meanwhile, the private sector investment in the non-residential building, which includes the construction of the third terminal in Pulau Carey and Westport 2 container terminal, and Perlis inland port, which will support the construction sector.

Higher public investments in 13MP.

On the other hand, a total of RM430b (12MP: RM400b; 12MP-MTR: RM415b) will be allocated during this period to finance the implementation of the federal government development programs and projects. These allocations will be funnelled into infrastructure, public transportation, construction of schools, hospitals, affordable housing, and capacity-building programs. Meanwhile, national development projects will also be carried out by GLC/GGLIC via the Government-Linked Company Activation and Reform program (GEAR UP), with an allocation of RM120b.

More focus on the Public-Private Partnership (PPP) model.

The implementation of development projects marked under the Public-Private Partnership (PPP) is expected to be enhanced, which will involve an estimated RM61b in public sector funding during this five-year period. One of the sectors that will be implementing the Public-Private Partnership (PPP) is the agriculture sector, which will be intensified to ensure food supply, security and the production of high-value agricultural commodities. The PPP will also be used to improve large-scale agri-food production, with the improvement of the irrigation and drainage system. We think that this will be part of the enhancement of the food security initiatives by the government. The enhancement of the PPP would also serve as a mechanism to improve fiscal management efficiency, through project management reforms, involving more systematic monitoring and evaluation. The implementation of the PPP could also be rationalised and focus on user-free-based models to provide service options for the public, supporting the efforts to reduce the fiscal deficit.

Scaling up SME to improve private activities.

Focus on growing SMEs in key, high-impact industries. This means getting them more involved across supply chains and pushing them towards higher value-added activities. Efforts will also be intensified to provide comprehensive support to small and medium enterprises, such as export incentives and trade and investment promotion, to enhance the capabilities and competitiveness of local companies in the global market. SME financing mechanisms will also be enhanced with sustainable financing methods, such as tiered financing and targeted financing. On top of that, Bumiputera entrepreneurship programs to be enhanced with support based on their stage of development. The target in the 13MP is for the SME to contribute about 50% toward the national GDP by 2030, and the active involvement in GLC in growing the SME.

Trade disruptions ahead, but export ambitions remain strong and domestic sectors stay resilient.

The external trade sector is projected to grow below earlier targets, reflecting the potential impact of tariffs that may disrupt trade flows and weigh on export-oriented industries. Nonetheless, we believe the government's efforts to diversify export markets and product offerings will help cushion the impact of an uncertain trade environment and enhance resilience against potential trade disruptions. We believe this is crucial for Malaysia to achieve sustained growth in high-value, high-growth, and strategic sectors—particularly in meeting the RM1t target for E&E exports. It also supports efforts to solidify Malaysia's position as the world's 6th largest semiconductor exporter and to move further up the value chain. By sector, growth in the primary sectors is expected to remain modest for construction and services, although agriculture, mining, and manufacturing are projected to see an uptick. Despite this, the GDP shares of the agriculture and mining sectors are forecast to drop to 5.2% and 5.1%, respectively, by 2025. In contrast, the services and construction sectors are expected to contribute more significantly, with projected shares of 60.5% and 4.3%, respectively.

40% target compensation of employees (COE) remains.

Compensation of Employees (COE) is on an upward trajectory, with its growth projected at +11.1%—more than double the 12MP target of +5.3%. However, labour income share has declined from a peak of 37.4% in 2020 to 33.6% of GDP in 2024. Despite this, the government remains committed to its target of 40%, consistent with the previous Malaysia Plan. Key enablers include an increasing share of skilled workers in the labour force, implementation of the progressive wage model, and the minimum wage policy. Meanwhile, Gross Operating Surplus (GOS) is expected to grow at a slower pace of +4.9%, compared to the previous target of +9.0%, with a reduced share of GDP at 57.5% (previously 58.1%). In contrast, net taxes are projected to grow faster at 7.2% (previous: 5.4%), with a higher GDP share of 2.5% versus 1.9% in the earlier target. This reflects an improvement in Malaysia's fiscal position, aligned with ongoing fiscal consolidation efforts aimed at reducing the fiscal deficit to -3% of GDP in the medium term and keeping government debt below 60% of GDP. We believe that improved fiscal space will enhance the government's capacity to provide counter-cyclical support and stimulus during future economic downturns.

Table 2: Malaysia's GDP by Income Approach

	% of GDP			Average Annual Growth Rate %		
	2019	2024	2025F (12MP-MTR)	2030F (13MP)	2021-2025 (12MP)	2026-2030F (13MP)
Compensation of Employees (COE)	**35.9**	**33.6**	**40.0**	**40.0**	**5.3**	**11.1**
Gross Operating Surplus (GOS)	60.5	63.7	58.1	57.5	9.0	4.9
Net Taxes	3.7	2.7	1.9	2.5	5.4	7.2

Source: DOSM, Ministry of Economy, MBSBR

Driving regional growth: Sabah, Sarawak and Johor at the forefront of 13MP.

13MP projections outlined the growth targets for each state and region, including the stte-leve sector breakdown. Notably, Sabah's economic growth will be the highest at +5.8%, projected tc even slightly surpass the national GDP growth, supported by robust expansion in its services sector at +7.1% in 2026-2030 (2021-2025: +5.6%) and a broad turnaround in its mining sector (+5.4%; 2021-2025: -0.9%) and stronger growth in manufacturing industry (+5.9%; 2021-2025 3.1%). This aligns with the federal efforts to position Sabah as a national sustainable energy hub through infrastructure upgrades such as the Sabah Energy Supply Guarantee, aimed at attracting clean-tech investments and expanding energy infrastructure. Similarly, Sarawak's economy could grow at faster pace of +4.6% (2021-2025: +4.1%) with stronger manufacturing growth of +5.9% (2021-2025: +5.1%), also coincides with the development of the Sarawak Hydrogen Hub, targeting green industrialisation and job creation. Federal plans in Sabah and Sarawak highlight the government's commitment to economic development and strengthening rural development as part of the 13MP framework. Johor's manufacturing sector is forecast tc expand robustly by +6.2% (2021-2025: +4.7%), the highest among major states, reflecting anticipated spillovers from the Johor–Singapore Special Economic Zone (JS-SEZ), which wil

integrate cross-border logistics, clean energy, and digital economy initiatives. This will support the state economy to grow by +5.1% in 13MP period, slightly faster than +4.9% in 2021-2025. Meanwhile, Labuan's sharp projected turnaround in construction (+7.7%; 2021-2025: -0.1%) is likely tied to port and maritime logistics upgrades to reinforce its role in regional trade. Penang and Sarawak, each targeting +5.9% growth in manufacturing, benefit from ongoing support for the E&E sector and downstream O&G infrastructure respectively.

Table 4: Real GDP and Real GDP Growth Targets by State

State	2025F (12MP-MTR)	2030F (13MP)	Real GDP		Real GDP Target	2021-2025F (12MP-MTR)	2026-2030F (13MP)
			2020	2024	2030		
	% of GDP		RM m			Average Annual Growth (%)	
Sabah	5.5	5.5	77,840	84,303	120,135	3.1	5.8
WP Labuan	0.5	0.6	7,613	8,559	12,322	4.5	5.4
Pulau Penang	7.3	7.3	92,691	121,496	159,926	5.8	5.4
Negeri Sembilan	3.3	3,3	46,336	54,322	74,480	4.3	5.2
Perak	5.4	5.4	74,264	86,239	119,234	4.5	5.2
Johor	9.5	9.5	128,074	158,017	208,928	4.9	5.1
Kedah	3.6	3.4	46,042	54,036	74,169	4.7	5.1
Selangor	25.1	25.8	326,805	432,116	565,279	6.3	5.0
WP Kuala Lumpur	15.7	16.5	217,447	265,758	362,611	5.4	5.0
Perlis	0.4	0.4	5,785	6,549	8,942	4.0	4.9
Terengganu	2.6	2.4	33,994	39,922	53,611	4.5	4.8
Melaka	3.0	2.2	41,030	48,929	65,506	4.8	4.7
Kelantan	1.8	1.8	25,188	28,651	38,792	4.2	4.7
Sarawak	9.3	8.9	127,556	148,200	196,090	4.2	4.6
Pahang	4.3	4.0	54,885	68,669	87,808	5.0	4.6

Source: Ministry of Economy, MBSBR

Malaysia's path to a higher-skilled, digitally driven workforce.

The skilled-to-employment ratio is projected to increase to 34% by 2030 from 32% recorded in 2024, with a slightly lower share of semi-skilled workers and a reduced share of low-skilled workers. The government foresee growth in skilled-employment to expand at a softer pace than the 12MP target, +1.7% vs. +4.4%. Meanwhile, growth in semi-skilled employment is expected to remain unchanged at 1.4% in 2030 compared to the previous target, with the segment's workforce share also steady at 57%. Also, the government anticipates marginal growth in plant and machine operators & assemblers, alongside a slowdown in employment for service & sales workers and clerical support staff. Improved digitalisation efforts and the shift toward more capital-intensive approaches are driving a decline in low-skilled employment, aligning with Malaysia's aspiration to transition toward a more digital economy.

Transforming Malaysia's workforce for inclusive and high-income growth.

Malaysia's labour market is gradually shifting toward a capital-intensive model, in line with the goals of NIMP 2030 and National Semiconductor Strategy. Most of these will be high-skilled positions. To support this transition, the government is introducing a Progressive Wage System (PWS) to incentivise companies to hire and upskill workers. GLICs have also adopted a living wage policy, setting a benchmark of RM3,100—nearly double the RM1,700 minimum wage effective Feb-2025. This supports the goal of increase the labour income share to 45%. Additionally, efforts to boost the TVET and STEM workforce aim to address skills mismatch, especially in high-demand sectors like semiconductors, and reduce underemployment at the national level. We believe it is essential to ensure women's participation in such programmes to achieve the target of a 60% female labour force participation rate. Overall, this is in line

with the overarching goal to for Malaysia to be ranked among the top 25 in the Human Development Index.

Table 5: Malaysia's Employment Structure

	% of Employment			Average Annual Growth Rate %		
	2019	2024	2025F (12MP-MTR)	2030F (13MP)	2021-2025F (12MP-MTR)	2026F-2030F (13MP)
Employment	-	-	-	-	**2.1**	**1.3**
Skilled	**27.5**	**30.2**	**35.0**	**33.7**	**4.4**	**1.7**
Managers	4.6	4.9	6.5	5.0	1.0	0.1
Professionals	12.5	13.3	15.0	13.2	2.3	1.1
Technicians and Associate Professionals	10.4	12.0	13.6	15.5	8.2	2.8
Semi-Skilled	**60.1**	**56.5**	**54.0**	**57.3**	**1.4**	**1.4**
Clerical Support Workers	8.4	9.8	8.1	8.5	3.2	0.1
Service and Sales Workers	22.6	23.2	21.0	21.0	0.7	0.3
Skilled Agricultural Workers	6.2	4.1	6.1	7.1	2.4	4.7
Craft and Related Trade Workers	10.5	8.8	8.2	12.2	4.9	3.4
Plant and Machine Operators and Assemblers	12.4	10.6	10.5	8.5	(2.5)	0.1
Low Skilled	**12.4**	**13.3**	**11.0**	**9.0**	**(0.4)**	**(0.8)**
Elementary Occupations	12.4	13.3	11.0	9.0	(0.4)	(0.8)

Source: DOSM, Ministry of Economy, MBSBR

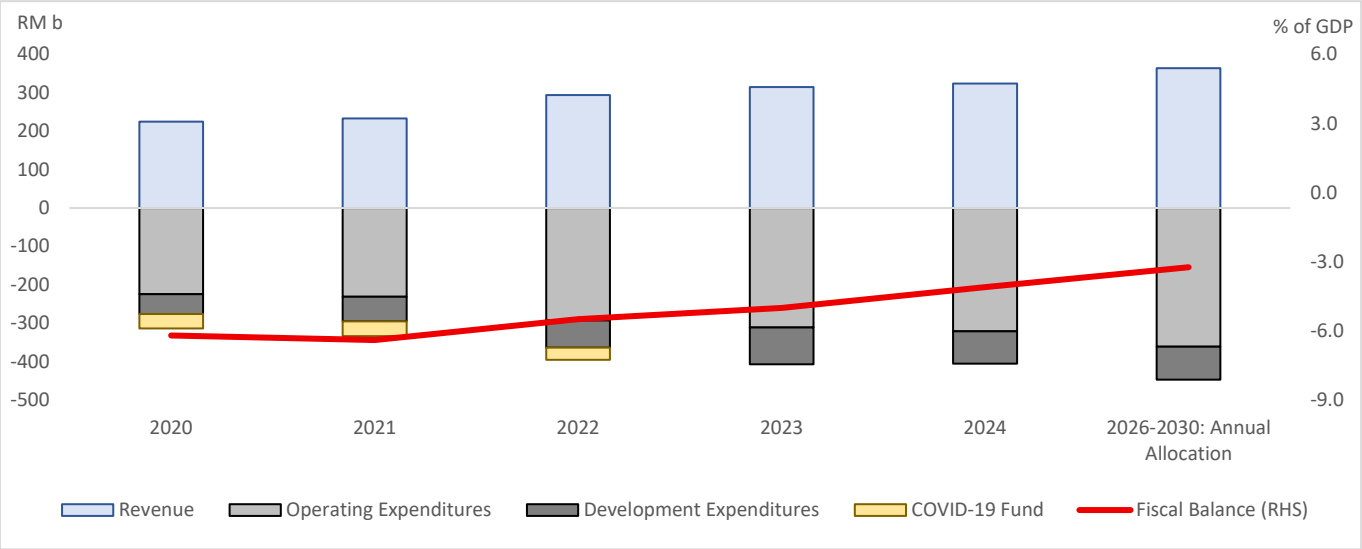
Allocation of RM430b (or RM86b per year) for development expenditures.

The government plans to allocate RM430b for the 13MP development expenditures. This translates into an average RM86b a year (or +RM6b more than our estimate), maintaining around the same level of DE allocations like in the recent years. This will keep the government's contribution to the national development expenditures at around 3.4% of GDP in the next 5 years. As mentioned earlier, this DE allocations can be utilised to finance various development programmes such as infrastructure projects, public transport, construction of schools, hospitals and affordable housing, and flood mitigation programmes.

Fiscal deficit to be reduced to less than -3.0% of GDP.

With the average nominal GDP growth of +7.2%, we estimate the size of fiscal deficit will shrink further to average -3.2% of GDP in the next 5 years. In other words, the target looks achievable to reduce the size of fiscal deficit to less than -3.0% of GDP by 2030. This will be feasible given the government's plan to improve fiscal management, including reforms in the government project management and improved fiscal collection with the phased rollout of e-invoice system until 2026 that will enhance the digitalization of tax collection. In addition to the continued adoption of public-private partnership (PPP), the government will also focus on improving fiscal spending through the shift towards targeted subsidy & assistance and more prudent debt management. All these fiscal consolidation initiatives will also help the government to bring down the outstanding government debts within the cap of not more than 60% of GDP.

Chart 1: Government's Fiscal Revenue and Expenditures (RM b)



Source: Ministry of Economy, MBSBR

SECTORAL VIEW

Banking.....Maintain NEUTRAL

(Analyst: Samuel Woo Choong Yi)

Measures	Allocation (RM 'b)	Comments
Increased spending on rural development	N/A	• Banks may consider allocating services and opening branches in more rural areas – providing avenues of growth outside of the usual urban hotspots.

Construction.....Maintain POSITIVE

(Analyst: MIDF Research team)

Measures	Allocation (RM'b)	Comments
Resilient construction sector growth driven by infrastructure and civil engineering The sector recorded +5.6% annual growth (CY21–24), led by civil engineering, special trades, and non-residential buildings. Supported by major works like the Miri, Tawau, and Kota Bharu airports, and highways such as DASH, SUKE, SPE, and WCE.	N/A	• Sustained sector expansion reflects momentum in national infrastructure development. • Airport projects boost East Malaysia connectivity and will likely benefit contractors with regional presence. • Highway builds ensure long-term job visibility for civil-heavy players like **IJM Corp (BUY, TP: RM3.74)** and **Gamuda (BUY, TP: RM5.42)**. • Non-residential and civil growth signals higher demand for cement and materials, which favours players like **MCEMENT (BUY, TP: RM7.49)**.
Public transport infrastructure expansion, including LRT3, RTS Link, ECRL and Penang LRT Major rail projects include LRT3 (Klang Valley), RTS Link (Johor-Singapore), ECRL, and the Penang Mutiara Line. Feasibility studies are underway for the TransBorneo Railway in Sabah and Sarawak.	N/A	• Positions rail as a core mobility strategy for Peninsular and East Malaysia. • TransBorneo feasibility indicates federal recognition of Sabah/Sarawak logistics gap – potential for long-term railway buildout. • LRT3 to support Klang Valley's 40% public transport modal share target by CY30. • RTS Link and ECRL bolster civil works demand, especially in southern and east coast zones. • Penang LRT strengthens northern connectivity and TOD potential. • Johor's JSSEZ and RTS reinforce its positioning as a regional economic growth hub. • Players with rail credentials like **Gamuda (BUY, TP: RM5.42)**, **IJM Corp (BUY, TP: RM3.74)**, and **SunCon (BUY, TP: RM6.44)** are direct beneficiaries.
Transit-Oriented Development (TOD) is to be accelerated TODs aligned with major rail infrastructure in KL, Selangor, Negeri Sembilan, Johor, Penang and along the ECRL corridor.	N/A	• TODs integrate mobility with urban revitalisation, catalysing surrounding mixed-use developments. • Demand for housing, retail and commercial units near new rail lines to drive private construction activity. • Contractors with property-linked operations like **IJM Corp (BUY, TP: RM3.74)** and **MRCB (BUY, TP: RM0.56)** are well-placed to lead.

		• IBS/GBI compliance expected to be built-in, offering upside to modular builders. Aligns with BIM and IBS deployment, supporting fast-track urban housing delivery.
Flood mitigation efforts continue to be strengthened 13MP allocates RM12b for 43 high-priority flood mitigation projects (TBBT) starting CY24, plus RM3b for the Sungai Golok PLSB and RM398m for AI-powered early warning systems. In his speech, PM Anwar also mentioned 103 flood mitigation projects totalling over RM20b – suggesting the 43 TBBT projects could be part of a broader pool of 103 projects nationwide.	>20	• The discrepancy between the 103 projects mentioned in the Prime Minister's speech and the 43 TBBT projects listed in the document implies that the TBBT may represent a subset of a wider national mitigation effort. • Major projects include Kota Bharu RTB (Kelantan), Sungai Langat RTB and Klang-Rasau dual-function reservoir (Selangor), Sungai Tepoh RTB and Banggol Air Lilih (Terengganu), Sungai Skudai PLSB (Johor), Kuching RTB (Sarawak), Johor River Basin RTB, Muar River Basin RTB (Johor), Pahang River Basin RTB, Baling RTB (Kedah), Likas RTB (Sabah), and Trolak RTB (Perak). • RM398m will be channelled to AI-enabled flood early warning systems — a significant step toward digitised climate risk management and timely community alerts. • Implementation will be accelerated via a dedicated task force, special allocations, and oversight by the Chief Secretary to the Government, signalling stronger execution governance than prior cycles. • Supports a structural uplift for contractors in drainage, river engineering and AI-tech-enabled infra. **CMSB (BUY, TP: RM1.57)** may benefit directly from East Malaysia flood jobs (e.g. Kuching, Likas), while national-level players with flood management expertise could gain as more packages roll out.
Industrial, port and energy infrastructure supporting economic zones Major projects include Carey Island Terminal 3, Westports 2, Perlis Land Port, third regasification terminal (CY26-27), and facilities for Kulim High-Tech Park, Kerian IGIP, and JS-SEZ.	N/A	• JS-SEZ to drive infrastructure demand in Johor, cementing its role as a regional gateway. • Port upgrades support trade facilitation and private logistics investments. • Construction of regasification terminals supports energy transition and natural gas ecosystem growth. • CMSB's Clinker Line 2 enhances East Malaysia self-sufficiency and cement supply reliability.

Public-private partnerships (PPP) expanded under PIKAS CY30 Key PPP projects include the West Ipoh Span Expressway, Putrajaya–Bangi Expressway, Ipoh Sentral TOD, and East Coast Expressway 3 (LPT3). RM61b PPP investment target.	61	• Reinforces private sector involvement in large-scale infrastructure. • Signifies a clear revival of the user-pay model, especially for toll roads and TODs. • Pipeline opens space for institutional and sovereign capital co-investments in long-gestation builds. • Prioritises viable, high-impact projects via strengthened PPP legislation. • **IJM (BUY, TP: RM3.74)** and **Gamuda (BUY, TP: RM5.42)**, with established PPP models, are likely to benefit. • Opens up capital-efficient opportunities for GLIC-linked construction players. • Enhanced vetting and governance expected to reduce past execution delays.
Green buildings and climate-resilient construction Push for climate-adaptive structures, sponge cities, green building certification, and waste-to-energy (WTE) infrastructure.	N/A	• Green-certified infrastructure to benefit players involved in M&E, drainage and WTE systems. • Fosters innovation in design and materials, with BIM and IBS forming compliance anchors. • Encourages ESG-focused contractors and accelerates adoption of new technologies.
Housing reform and integrated facilities delivery Targeting 1 million affordable homes with mandatory IBS, BIM, and co-development of schools, clinics, and utilities.	N/A	• **SunCon (BUY, TP: RM6.44)**, **WCT (BUY, TP: RM0.95)**, and **IJM Corp (BUY, TP: RM3.74)** stand to benefit from residential execution and co-located infrastructure builds. • Encourages cost control via industrialised systems while improving project efficiency. BIM mandates reduce variation orders, benefitting cost certainty and speed. • Reinforces integrated development planning and bundled contract packages with infrastructure packages embedded in housing tenders (e.g., roads, utilities, public amenities). • 13MP's housing drive is volume-based and quality-controlled – offers long-term stability for residential players.
Expansion of rural and strategic roads; First- and last-mile connectivity upgrade 2,800km of rural roads to be upgraded, including Pan Borneo, Trans Borneo, CSR, and key PLUS segments; Rollout of 300 Demand-Responsive Transit (DRT) vans, 1,200 buses, and 217 passenger trains.	N/A	• Enables stronger inter-state trade and market access, especially in Sabah, Sarawak and the East Coast. • Rural and semi-urban contractors may secure work on road widening, bridges and utility lines. • Trans Borneo expected to unlock long-term road contracts in the northern Borneo belt. • Expected to stimulate rail ecosystem construction -e.g., depots, stations, parking infrastructure. • DRT model integrates tech with infrastructure, offering niche roles for smart urban infra firms. • Enhances urban-rural linkage, driving demand for public-centric facilities.

Digital infrastructure, data centres, and AI integration Focus on supply chain modernisation using AI, promotion of IP-based R&D and circular systems.	N/A	• Creates demand for warehouses, logistics hubs, and high-spec data centres (e.g., Kerian, Kulim, JS-SEZ). • **SunCon (BUY, TP: RM6.44)** remains a frontrunner in DC buildouts amid hyperscaler demand. • AI-infused supply chain infrastructure to benefit precision-engineered contractors and smart utility builders.
Education infrastructure revitalisation RM67b allocated to improve access, quality and facilities. Pre-school is compulsory from age 5; primary school starts from 6.	67	• Construction of new kindergartens, schools, vocational training centres, and higher-ed buildings expected. • Special emphasis on rural access and underdeveloped regions like Sabah, Sarawak and Kelantan. • Likely to drive job wins for builders experienced in educational and institutional infrastructure.
Institutional delivery reform and cost optimisation BIM mandatory for projects ≥RM10m; cost control framework for projects >RM300m; new benchmarking databases.	N/A	• BIM-compliant players (e.g. SunCon, Gamuda) are better positioned for fast-track projects. • Transparent procurement mechanisms favour top-tier contractors with clean track records. • Cost benchmarking enhances project award consistency and planning visibility. • Design-build maturity likely to grow among large-cap players, potentially displacing traditional contractors.
Public investment projected to grow by +3.6% p.a. (RM112.9b/year average) Total RM430b in federal development allocation. RM86b average DE/year expected.	430	• Significant multi-year government pipeline supports base construction demand. • Complemented by RM120b GLIC funding and RM61b PPP/private capital. • Jobs to come from rail, flood mitigation, industrial parks, ports, and energy projects. • Rising private construction demand (e.g., DCs, fabs, warehouses) to supplement public rollout. • We maintain our POSITIVE view on the construction sector. Top BUYs: **SunCon (TP: RM6.44), IJM Corp (TP: RM3.74), Gamuda (TP: RM5.42), Malayan Cement (TP: RM7.49), CMSB (TP: RM1.57).**

Consumer.....Maintain POSITIVE

(Analyst: Eunice Ng Qing Rong)

Measures	Allocation (RM 'b)	Comments
Improving Household Income • Raise Compensation of Employees (COE) to 40% of GDP by 2030 (from 33.1% in 2023). • Implement Progressive Wage Policy (PWP). • Enforce RM3,100 minimum wage for GLC/GLIC staff.	N/A	• The government's push to raise labour's share of income reflects a structural shift toward more inclusive, income-driven growth. The implementation of the Progressive Wage Policy (PWP), together with a higher minimum wage for GLC/GLIC staff, is expected to uplift earnings for a large segment of the B40 and M40 population. These income reforms reflect Malaysia's ambition to achieve high-income nation status by 2030 and rank among the world's top 30 economies.

		• This increase in disposable income will directly benefit the consumer sector by supporting stronger demand for everyday goods and services. Consumer discretionary players are expected to benefit the most, particularly in fashion, personal care, and dining-out categories. **AEON (BUY, TP: RM1.77)**, with its wide retail footprint, and **Padini (BUY, TP: RM2.49)**, known for affordable fashion, are well-positioned to ride this consumption uplift.
Expanding Social Protection and Cash Transfers • RM15b allocation under Sumbangan Tunai Rahmah (STR). • Continued distribution of Sumbangan Asas Rahmah (SARA), especially food products at reasonable prices. • RAHMAH MADANI Sales Program to be expanded to more rural and targeted localities. • Monthly EPF Pension Payout	15	• The combination of direct cash transfers (STR) and food-based support through SARA and the RAHMAH MADANI Sales Program offers broad protection for household consumption, especially among the B40 group. These initiatives help stabilise basic consumption and protect food affordability across income segments. • These measures will stabilise purchasing power and are expected to strengthen consumer spending on essential goods. As such, we foresee resilient demand for consumer staple brands under our coverage, including **F&N (BUY, TP: RM32.67), Leong Hup (BUY, TP: RM0.90)** and **QL Resources (NEUTRAL, TP: RM4.33).** • Additionally, the positive income effect may spill over into the discretionary segment, particularly benefiting mid-tier retailers. Companies like **Padini (BUY, TP: RM2.49)** and **AEON (BUY, TP: RM1.77)** are well-positioned to capitalise on this uplift, as consumers may allocate more to fashion and lifestyle products. • Overall, the combination of financial aid, subsidised food access and the introduction of monthly EPF pension payouts is expected to create a supportive environment for both staple and discretionary goods, enhancing consumer demand and sector growth.
Ensuring Food Security • Strengthening Food Security and Supply Chain Resilience • Intensify agricultural development to improve food security and support high-value agri-commodities. • Boost production of livestock, fruits, and vegetables via improved crop varieties, livestock breeding, and feed quality. • Upgrade capture fisheries and aquaculture through advanced technologies, including AI. • Scale up national food production through large-scale farming for domestic needs and export potential.	N/A	• These initiatives are expected to enhance food availability and price stability, directly benefiting the consumer sector by ensuring a consistent supply of essential food items at more affordable prices. Increased domestic production lowers reliance on imports and mitigates the impact of global supply shocks, thereby supporting retail affordability and shielding consumers from price volatility. • **QL Resources (NEUTRAL, TP: RM4.33)** stands out as a key beneficiary of the government's aquaculture and livestock initiatives. The group is well-positioned to expand its Marine Products Manufacturing (MPM) segment, supported by the adoption of advanced aquaculture technologies such as electronic feeding systems and AI-based monitoring. These innovations are expected to enhance yield efficiency and lower input wastage, ultimately boosting profitability and segmental revenue.

Revitalising the Tourism Sector • Upgrade tourism infrastructure and connectivity. • Promote eco, cultural, and community-based tourism. • Upgrade tourism facilities to ensure competitiveness and sustainability. • Collaborate with stakeholders to promote tourism packages and heritage-based trails.	N/A	• A revitalised tourism sector will provide strong tailwinds to the consumer sector, particularly within retail and F&B segments. Higher tourist arrivals—both local and foreign—are expected to boost footfall in malls, high streets, and convenience outlets. • **Spritzer (BUY, TP: RM1.75)** stands to gain from higher bottled water sales, while **Life Water (BUY, TP: RM1.00),** Sabah's leading bottled water brand, is well positioned to capture incremental demand in tourism-intensive zones such as Kota Kinabalu and Sandakan, where travel momentum continues to accelerate. • **Oriental Kopi (NEUTRAL, TP: RM0.83)** is expected to benefit from increased footfall across airports and lifestyle malls, supported by its local menu appeal and FMCG offerings that cater well as tourist souvenirs. • Meanwhile, **QL Resources (NEUTRAL, TP: RM4.33),** through its Family Mart franchise, is set to ride on stronger demand for convenience offerings, especially among travellers seeking accessible F&B options. • Overall, the consumer sector is structurally well-placed to capture rising tourist consumption, reinforcing both topline momentum and broader earnings visibility.
Strengthening the Halal Industry Ecosystem • Target RM80b in halal exports and 11% GDP contribution by 2030. • Establish a Halal Commission. • Develop Halal Industrial Parks in Melaka, Perak, and Kelantan. • Scale up Malaysia's role as a global halal hub.	N/A	• Malaysia's efforts to expand its halal industry are expected to unlock significant long-term opportunities for consumer companies with strong halal credentials. The creation of dedicated halal industrial parks and a central Halal Commission will streamline certification processes, improve production efficiency, and strengthen Malaysia's global positioning in halal exports. • This is particularly positive for halal-certified consumer brands with regional manufacturing capabilities. **Nestlé Malaysia (NEUTRAL, TP: RM77.90),** which operates as the group's largest halal production centre globally, is well positioned to benefit from increased export opportunities and enhanced brand competitiveness. The government's push to scale up Malaysia's halal industry is likely to unlock new growth channels, supporting long-term expansion for export-oriented consumer names. •

Healthcare.....Maintain POSITIVE

(Analyst: MIDF Research team)

Measures	Allocation (RM 'b)	Comments
Allocation for development of healthcare sector	40.0	• The total development allocation from the government is estimated at RM430b, with the healthcare sector expected to receive RM40b over the duration of 13MP.

		• Although the allocation was not broken down to the strategies and projects highlighted in the plan, we anticipate that most of the budget will be prioritised to reduce medical inflation and NCDs prevalence, as these are key factors that would test the nation's preparedness for the rising ageing population
Reducing the burden of living cost, including medical inflation that impacts the public's access to private healthcare	N/A	• Healthcare reforms are introduced and part of the strategies highlighted will be on controlling this medical inflation, through a few initiatives/plans: ○ Improving social protection and healthcare services for poor households ○ Expanding Rakan KKM as a paid treatment option ○ Providing basic private health insurance/takaful products (including KWSP's i-Lindung initiative) • This is expected to reduce out-of-pocket spending for health expenditure to 32% by 2030 (2022: 37%). • Other programmes include the improvement and expansion of Skim Perubatan MADANI. • These initiatives are expected to address the issue of rising NCDs among low-income groups that may not be able to afford long-term treatments (such as for diabetes and cancer) and expensive surgeries (organ transplants). • While no exact allocation was presented, we noted that these initiatives could be leveraged mainly by healthcare service providers and medical insurance companies.
Improving healthcare infrastructure to cater to the public's needs for better healthcare access **Strategies and Initiatives:** • Integrating cluster hospitals with primary healthcare • Building and upgrading public hospitals and clinics nationwide	0.56	• The government had included the projects below as part of providing better access for the public to the healthcare services: ○ Hospital Tuanku Ja'afar 2 (Negeri Sembilan) ○ Hospital Sultanah Aminah 2 (Johor) ○ Northern Region Cancer Centre (Kedah) ○ Pusat Jantung Sabah at Queen Elizabeth I Hospital (Sabah) ○ Sarawak Cancer Centre (Sarawak) • These hospitals will cater to the public in need for a quality care in NCD treatments with better access from outside of major cities, subsequently reducing hidden medical costs (transportation, accommodation, food, childcare services etc.) for patients. • While no allocation was disclosed for these construction projects, 13MP had highlighted a budget of RM560.45m for upgrading and repairing 1,776 dilapidated clinics nationwide under the Projek Bitara MADANI. • These upgrades on the clinics are expected to cater to the aging population, which are largely concentrated in the rural and remote areas. These also highlight the importance of primary care as part of the preventive healthcare initiative, which is crucial to cut NCDs prevalence from the roots.

		• However, with the upgraded clinics and additional hospitals, there will be a need to increase medical workforce employments • As of writing, doctor-to-patient ratio had been hovering at 1:412 since 2022. By 2030, the government is expecting this ratio to be 1:330, which aligns with the government's plan to create a framework that includes training, licensing and career development plan for medical workers. • As such, PPPs and collaborations between hospitals and tertiary education institutes are crucial to further improve the inner workings of the healthcare system as well as its assets.
Reducing NCD prevalence among the population through changed lifestyle and preventive health programmes **Strategies and Initiatives:** Raising public health awareness	N/A	• Part of the preventive health strategy to reduce NCDs prevalence among the adult population and aged population is the expansion of pro-health taxes for products like sugar, tobacco, vape and alcohol. • This is to encourage a behavioural and lifestyle changes to curb the rising NCDs. • For urban population, initiatives also include stress and mental health management, which had been addressed for public workers under this RMK-13 plan. • For the aging population, while not specifically highlighted, we expect the improvements in infrastructure and healthcare financing schemes to reach the aged patients in preparing for Malaysia's future aging nation status. • The implementation of the First 1000 Days of a Child's Life programme is also aimed to improve reproduction health, as a part of improving birth rates and reducing NCDs like diabetes and hypertension later in life. This multi-sectoral programme aimed at improving childhood healthcare and preventing malnutrition in children.
Addressing human resource issues within the medical workforce **Strategies and Initiatives:** • Improving legal framework and policies for healthcare workers • Increasing talent capacity in precision medicine	N/A	• The reforms will also address systemic issues within the healthcare workforce. • Developing a national digital health records platform will streamline information sharing, making healthcare more efficient. This is expected to go beyond EHS with incorporation of AI-based software. • Many international private hospitals had begun to incorporate AI-based systems to reduce waiting time, cost overruns and human errors. Such example is Singapore's Augmented Intelligence for Infectious Disease AI model, which had reduced over 2000 hours of medication trials-and-errors to just 15 minutes. • A development of a national professional framework for the health workforce aims to solve talent shortages and retention issues, which are critical for sustaining a high-quality healthcare system.

		• However, we expect these initiatives to not only cover for doctors and specialists, but also medical technologists and nurses. For nurses, Malaysia is falling behind on the nurse-to-patient ratio at 1:283 (as of 2023) and if actions are not taken, will lead to a shortage by 60% by 2030. • With the introduction of AI-based technology in the healthcare sector, we expect that new opportunities in the medical workforce will also include AI experts, whose responsibilities will be on the transitional phase between traditional working methods with advanced and tech-driven methods.
Improving regulatory bodies involved in the healthcare sector **Strategies and Initiatives:** • Implementing national strategic framework for health security capacity • Mainstreaming "Health in All Policies" concept • Implementing mandatory front-of-pack labelling grading system for food products	N/A	• Regulatory agencies relating to the healthcare sector (MOPI, NPRA, MIDA) had been upgrading their regulatory frameworks to cater to several new products, including biosimilars, biologics and cell generative medications for pharmaceuticals, as well as tech-based labelling, AI-based software and advanced robotics for medical devices. • These new regulations are expected to not only involve in the integration and adaption of the newcomers in pharmaceuticals and medical devices, but also to ensure safety for both practitioners and patients. • While no allocation was disclosed for this initiative, we expect the demand for more innovative drugs and medical technologies are expected to continue rising, giving Malaysia a leverage in terms of trades. • While pharmaceuticals Malaysia is still a net exporter for medical devices, pharmaceuticals still have room to grow domestically. Improving R&D and talent will help to eventually reduce import dependency for pharma products.
Leveraging on domestic pharmaceutical and medical devices manufacturing **Strategies and Initiatives:** • Improving national pharmaceutical regulatory system • Encouraging local production of pharmaceuticals and medical devices • Developing national track-and-trace system	N/A	• In connection to the previous point, pharmaceuticals and medical devices are key catalyst to the growth in the healthcare sector. • While 13MP focuses on the strategies to improve the quality of life of the people (which includes improvements to healthcare infrastructure and workforce), trading medical products (drugs and equipment) are also expected to contribute significantly for the sector. • Pharmaceuticals products in Malaysia are expected to grow in sales over the next 5 years (5Y CAGR to 2030 for (i) prescription drugs: 9.7%, (ii) patented drugs: 5.6%, (iii) generics: 6.7%, and (iv) over the counter: 4.4%). This is in line with the growing aging population and NCDs prevalence. • With pharmaceuticals being an exempted chemical product from the US tariffs, we expect that this

		subindustry to attract more foreign investments in the long term. • Additionally, the growing interests in biologics and biosimilars globally gives Malaysia the leverage to invest in the manufacturing drugs. **Pharmaniaga (NR)** and **Duopharma Biotech (NR)** had begun to manufacture vaccines and NCD treatment biodrugs that will be commercialised within these 5 years. • As such, we noted that the initiatives to improve and encourage the pharma industry through government incentives, trades and upgraded regulations is timely to not only improve on local pharmaceuticals industry, but also to address the increasing need for solutions against the NCDs prevalence.

Oil & Gas……Maintain NEUTRAL

(Analyst: MIDF Research team)

Measures	Allocation (RM 'b)	Comments
Accelerating Carbon Capture, Utilization, and Storage (CCUS) with monetary support for CCUS technologies and carbon credits	N/A	• This initiative refers not only to the operation side of CCUS but also includes the technologies that capture CO2 emissions from industrial sources • Considering that the process of storing CO2 includes geological formations, the involvement of upstream oil and gas players are crucial. • RMK-13 plans to make CCUS part of the green investment and financing taxonomy; meaning that projects and businesses focused on this technology will be prioritized for funding and support. • This initiative mainly upstream players including OGSEs (i.e. companies offering EPCC, drilling, transportation, well management and maintenance and repair services) • Accelerating CCUS operatorships would also advance the utilisation of carbon credits, which will be part of the government's future financial developments, although we believe this would be a mild influence to the aggressive strategy of CCUS.
Investing in Sustainable Aviation Fuel (SAF)	N/A	• Under the Green Economy and Sustainability umbrella, initiatives to promote a green economy that prioritises environmental sustainability were tabled. This includes Sustainable Aviation Fuel (SAF). • While SAF is largely produced by recycling and processing agricultural waste and used cooking oil, it could also be produced through captured carbon. This makes oil and gas companies as part of this initiative as well. • Additionally, SAF are often blended with molecules from fossil fuels, and most blending are done by oil and gas companies' processing plants and refineries.

Third Regasification Terminal Complex in Perak's LuMIC	N/A	• This regasification complex is part of a broader development of the Lumut Maritime Industrial City (LuMIC) in Perak. The 25-year long term project is expected to attract up to RM72b in investments with over 50,000 new job creation. • While the construction of the complex is still ongoing, we anticipate that this complex will continue to ensure an ample gas supply for domestic use, subsequently improving energy security. • With more innovative E&P technologies (deepwater drilling, advanced extraction tools) introduced throughout the span of the project, we expect that domestic gas reserves can be stretched up to 45 years. • In addition to local gas output, gas imports transported through LuMIC also makes the need for a third regasification complex the more convenient.

Plantation……Maintain NEUTRAL

(Analyst: MIDF Research team)

Measures	Allocation (RM 'b)	Comments
The government will continue to enhance productivity through modern technologies such as mechanisation, automation, robotics, R&D, and **sustainability certification**.	N/A	• The strong commitment to enhance sustainability certification is important important given past actions by the US Customs and Border Protection (CBP), which issued Withhold Release Orders (WROs) against **SD Guthrie (BUY: RM5.43)** and FGV over allegations of forced labour, underscoring the urgent need for stricter enforcement to safeguard market access and uphold Malaysia's global credibility. • Such measures would likely bring MSPO standards closer to RSPO equivalence, supporting better compliance with the EU Deforestation Regulation (EUDR) implementation in December

Property……Maintain POSITIVE

(Analyst: Jessica Low Jze Tieng)

Measures	Allocation (RM 'b)	Comments
The implementation of strategies and initiatives under the New Industrial Master Plan (NIMP) 2030 will be intensified.	N/A	• Property developers that have exposure to industrial development projects in Malaysia namely **Eco World Development Group (NEUTRAL, TP: RM2.15), Mah Sing Group (BUY, TP: RM1.49), S P Setia (NEUTRAL, TP: RM1.25), IOI Properties Group (NEUTRAL, TP: RM2.15), Sunway Berhad (NEUTRAL, TP: RM5.01) and Sime Darby Property (non-rated)** are expected to benefit from NIMP 2030.
Development of the Johor Singapore Special Economic Zone (JS-SEZ) will be	N/A	• Development of JS-SEZ will benefit property companies with landbank/projects in Johor namely **Sunway Berhad**

enhanced to expand economic and investment cooperation with regional countries.		**(NEUTRAL, TP: RM5.01), UEM Sunrise (non-rated) , Eco World Development Group (NEUTRAL, TP: RM2.15), Mah Sing Group (BUY, TP: RM1.49), IOI Properties Group (NEUTRAL, TP: RM2.15) and UOA Development (BUY, TP: RM2.04).**
The concept of transit-oriented development zones will be expanded.	N/A	• Developers that are involved in TOD projects, namely **Mah Sing Group (BUY, TP: RM1.49), UOA Development (BUY, TP: RM2.04), Sunway Berhad (NEUTRAL, TP: RM5.01) and IOI Properties Group (NEUTRAL, TP: RM2.15)** may benefit from more TOD projects in Malaysia.
Rent-to-own scheme will be expanded, and the existing affordable housing financing scheme will be Improved.	N/A	• The measures are expected to be slightly positive to the property sector as they increase the affordability of property buyers.
1m affordable house will be built from 2026 to 2035.	N/A	• The measure is neutral to developers as most of the listed property companies are focused on private property development. Nevertheless, the potential winner is **SkyWorld (non-rated)** as it is involved in an affordable housing project in Penang.

REITs……Maintain NEUTRAL

(Analyst: Jessica Low Jze Tieng)

Measures	Allocation (RM 'b)	Comments
Development of Special Tourism Investment Zone, particularly in Johor, Malacca, Negeri Sembilan and Sarawak. Visit Malaysia 2026 is key to driving contribution from the tourism sector.	N/A	• The positive development in the tourism sector in Malaysia should benefit REIT with exposure to the retail and hotel sectors. For retail REITs, we see that REITs with assets at tourism hotspots such as **KLCC Stapled Group (NEUTRAL, TP: RM8.40), Pavilion REIT (BUY, TP: RM1.88), Sunway REIT (NEUTRAL, TP: RM2.10), and IGB REIT (NEUTRAL, TP: RM2.70)** should benefit from higher tourist arrivals. Meanwhile, REITs with exposure to the hotel segment are **KLCCP Stapled Group (NEUTRAL, TP: RM8.40), Sunway REIT (NEUTRAL, TP: RM2.10) and YTL Hospitality REIT (non-rated)** should benefit from the higher tourist arrivals as it will improve the occupancy rate of hotels.

Technology……Maintain NEUTRAL

(Analyst: Martin Foo Chuan Loong)

Measures	Allocation (RM 'b)	Comments
To increase electrical and electronic (E&E) product export value to nearly	N/A	• We are positive on the Government's effort to reinvigorate the semiconductor sector in the country,

RM1.0t by 2030 through the High Value-High Technology Semiconductor Industry Flagship Project Key strategic plans, including the National Semiconductor Strategy (NSS) will be intensified to drive inclusive and sustainable economic growth The successful strategic partnership with ARM Holdings, worth USD250.0m earlier this year, will elevate Malaysia from a mere manufacturing hub to a leader in high-value semiconductor activities through the consolidation of intellectual property.		which will bring about a positive multiplier effect. Based on the ARM's partnership, which was announced earlier this year, the focus is more on developing the front end of the semiconductor value chain, especially in the field of IC design. Note that currently Malaysia's involvement in the semiconductor ecosystem is more on the back end of the semiconductor value chain, whereby 13% of the global chip assembly, testing and packaging is done in the country. • Given the focus, IC design companies such as Oppstar (NR) and Skyechip, IC Microsystems and Symmid should benefit.

Telecommunication……Maintain NEUTRAL

(Analyst: Martin Foo Chuan Loong)

Measures	Allocation (RM 'b)	Comments
To achieve 98% 5G coverage in populated, industrial and rural areas by 2030	N/A	• This appears to signify the commencement of Jendela phase 2. Recently, the Communications Minister Datuk Fahmi Fadzil mentioned that the second phase of the National Digital Network (Jendela) plan is expected to commence in September. This will involve 3,000 sites nationwide using a hybrid approach to expedite deployment. • DNB should be in the limelight again. To recall, the 5G coverage has been hovering around an 80% level (82.4% as at Feb 2025) since DNB completed its mandate of hitting 80% COPA by the end of 2024. Nonetheless, it remains unclear what the funding structure is. We view this should mimick Jendela Phase 1, whereby it is supported by both the telcos and the USP fund. However, we view that it should not be a big burden to the telcos as the additional coverage is about 16% which is spread over five years. In addition, implementation in rural areas should be funded via the USP fund. • On a separate note, direct beneficiaries would be the tower providers such as **OCK Group Bhd (NR),** EDOTCO, which is part of **Axiata Group (SELL, TP: RM1.75)** and EdgePoint.

Transportation (Aviation)……Maintain NEUTRAL

(Analyst: Amalia Zarir)

Measures	Allocation (RM 'b)	Comments
Strategy A1.9: Developing the air transport industry		
Adopting advanced technologies in the design and production of aerial vehicles.	N/A	• A comprehensive roadmap will be developed, focusing on the creation of an Unmanned Aircraft Traffic Management System, adoption of unmanned aircraft systems (UAS), and deployment of advanced air mobility (AAM) solutions. • A dedicated ecosystem, termed the "Unmanned Valley", will be established in collaboration with industry partners to fast-track the adoption of UAS and AAM.
Decarbonisation measures will be intensified to support Malaysia's vision of becoming the regional hub for green aviation.	N/A	• This includes implementing the Malaysian Aviation Sector Decarbonisation Roadmap, promoting the use of sustainable aviation fuel (SAF) and low-carbon alternatives, as well as developing SAF infrastructure. • Ground operations will also undergo a green transition, such as expanding electric vehicle charging stations, installing solar spaces, and increasing green spaces. • At present, only Malaysia Airlines has operated flights using SAF, mostly on a voluntary, limited basis for branding and sustainability showcases. SAF is typically 2x to 5x more expensive than standard jet fuel. AirAsia does not currently use SAF operationally, deeming it too costly for a low-cost model, and instead focuses on fleet modernisation, fuel-efficient operations, and carbon fee initiatives as more practical sustainability measures.
Strategic investments from local airlines to expand international routes and operations.	N/A	• By CY30, 178 new aircraft are expected to be acquired to increase seat capacity and passenger volume. • Flight frequencies and routes within ASEAN will also be boosted to support the rising demand from tourism, trade, and foreign investment. • Expanding the fleet supports airlines in rebuilding capacity lost during the pandemic (an estimated 50-60 aircraft were withdrawn) while also positioning them to capture rising passenger demand and enter new markets. This is particularly crucial given persistent delivery setbacks from Boeing due to production and supply chain challenges.
Strategy A1.10: Strengthening high-income and sustainable tourism		
Establishing dedicated tourism zones, preserving the sustainability of tourism products, and leveraging arts, culture, and heritage assets.	N/A	• Potential tourism investment zones will be developed as a strategic step to create new tourism offerings that attract more local and international investors. As of Jun-25, a total of 43 areas has been identified as having potential for this initiative.

Physical connectivity by land, sea, and air, as well as digital connectivity, will be enhanced to support the development of these zones.	N/A	• Homestay-based tourism initiatives will be strengthened to increase income-generating opportunities, particularly for rural communities.
Introducing mechanisms to measure and monitor the sustainability levels of tourism areas to ensure that selected tourist destinations meet international standards.	N/A	• Comprehensive impact assessments based on ESG principles will guide the formulation of appropriate mitigation measures.
Arts, culture, and heritage assets will be infused with innovation to invigorate the tourism industry and encourage the development of the orange economy.	N/A	• Advanced technologies such as augmented reality (AR) and virtual reality (VR) will be used to create immersive and creative content to enrich the tourist experience.
Upgrading key historical areas and heritage sites.	N/A	• This includes the Lenggong Valley World Heritage Site in Perak, the Sungai Batu and Bujang Valley archaeological sites in Kedah, and Gua Bewah in Terengganu, as well as KL's heritage sites. • Partnerships with various stakeholders will also be pursued to promote heritage-based tourism packages and trails. • The initiatives shown above are expected to help local tourism by creating more attractive, immersive, and accessible destinations.

Transportation (Ports & Logistics)……Maintain NEUTRAL

(Analyst: Amalia Zarir)

Measures	Allocation (RM 'b)	Comments
Strategy A1.16: Enhancing the efficiency of the logistics industry		
Strengthening monitoring efforts to improve the efficiency of goods movement.	N/A	• Initiatives will be undertaken to ensure that industry players track the movement of goods in real time throughout the delivery process. • Key local players like **Swift Haulage (BUY, TP: RM0.43)** and **Tasco (BUY, TP: RM0.68)** already offer real-time tracking capabilities through GPS-enabled fleets and web-based platforms, particularly for contracted clients. These existing systems position them well to benefit from broader digitalisation initiatives and rising demand for supply chain visibility.
Shifting a significant portion of cargo movement from road transport to rail transport.	N/A	• Train capacity and service frequency will be increased. The usage rate of railway tracks for cargo operations is expected to rise from 6% in CY25 to 13% by CY30. • The shift of cargo from road to rail may reduce long-haul demand for land transport players. However, it opens opportunities for them to focus on the first and last mile connectivity, while also freeing up road capacity to

		improve speed and cost efficiency for short-haul or time-sensitive cargo. • Warehouse standards and specifications, along with a national warehouse inventory portal, will also be developed to facilitate business operations and enhance competitiveness.
Support facilities such as fulfilment centres offering warehousing services, cold chain networks, order processing, and online delivery will be developed.	N/A	• Industry players will be encouraged to provide training to gig workers to enhance their skills in meeting industry needs. • A study will be conducted to identify structural issues, challenges, and performance gaps compared to the top 5 countries in the World Bank's Logistics Performance Index. The study will also provide an action plan, along with performance monitoring and evaluation mechanisms.

Utilities……Maintain POSITIVE

(Analyst: Royce Tan Seng Hooi)

Measures	Allocation (RM 'b)	Comments
Strategy A1.3: Strengthening electric supply		
Establishment of an electricity market system based on more innovative mechanisms.	N/A	• This is to ensure a high-quality and reliable electricity supply service. • The development of this new mechanism will focus on transparent and viable power generation procurement, the development of an independent grid system, and the establishment of a market operator to support the liberalisation of the electricity supply industry.
Expansion of the rollout of smart meters.	N/A	• This will allow consumers to fully benefit from the Time-of-Use tariff scheme, which was introduced in Jul-25, to encourage more cost-efficient electricity usage.
Adoption of various renewable energy (RE) sources and new technologies, including the participation of self-generation producers.	N/A	• Grid flexibility will be strengthened through the implementation of battery energy storage systems (BESS), smart grids, and the development of electricity supply chain infrastructure.
Improvement of the energy demand management.	N/A	• This will be done via the introduction of the second National Energy Efficiency Action Plan and thermal energy efficiency guidelines, as well as the expansion of energy efficiency labelling for equipment in the industrial sector.
Strategy A1.4: Enhancing access to green electricity supply		
Strengthening the reliability of the green electricity supply.	N/A	• This will be done by increasing the diversity and availability of energy sources. • Initiatives based on third-party access, such as the Corporate Renewable Energy Supply Scheme (CRESS)

		will be intensified as one of the methods to source RE regardless of location.
The Community Renewable Energy Aggregation Mechanism (CREAM)	N/A	• This will enable group based RE generation under an open grid access concept by installing rooftop solar photovoltaic (PV) systems on residential premises.
Green electricity interconnection project between Vietnam, Malaysia, and Singapore.	N/A	• This will be implemented to channel RE and support the vision of the ASEAN Power Grid in creating a resilient, sustainable, and interconnected regional energy market. The expansion of renewable energy efforts is expected to be a boon for those in the EPCC space, such as **Solarvest (NR)**, **Pekat (BUY, TP: RM1.86)**, **Samaiden (BUY, TP: RM1.59)** and **Sunview (BUY, TP: RM0.54)**
A grid interconnection project from Sarawak to Peninsular Malaysia.	N/A	• This is aligned with Sarawak's aspiration to become a hydropower based RE hub.
Strategy A1.5: Introducing nuclear energy as a clean electricity source		
Nuclear energy development program.	N/A	• A nuclear energy development program for electricity generation as a clean energy source within the national energy mix will be implemented, with operations to begin in CY31. • MyPOWER Corporation will serve as the nuclear energy programme implementing organisation, responsible for the governance of the national nuclear program in accordance with the standards set by the International Atomic Energy Agency (IAEA). • We view that key players in this space may include utility giants such as **Tenaga Nasional (BUY, TP: RM16.40)**, **Malakoff Corp (N.R.)** and **YTL Power International (BUY, TP: RM4.51).**
Strategy D6.3: Strengthening the implementation of the circular economy and enhancing waste management.		
Expansion of waste-to-energy (WTE) plants	N/A	• This will be done through public-private partnerships to reduce dependence on landfills. • We expect beneficiaries to include **Cypark Resources (NR)** and **Malakoff (NR)**. • Cypark currently operates a 15MW WTE plant in Port Dickson, while Malakoff recently secured a long-term concession from the federal government for a 22MW WTE plant in Sungai Udang, Melaka.

STRATEGY

As earlier stated, the 13MP envisages a range target of +4.5% to +5.5% annual GDP for the 2026 to 2030 period. During the past 3 years from 2022 to 2024, the annual GDP grew by an average of +5.9%. Meanwhile, the aggregate normalised earnings of current FBM KLCI constituents grew with a 3-year CAGR of +7.1% (i.e. from RM57.4b in 2021 to RM70.5b in

Expect FBM KLCI earnings to achieve a CAGR of +6.0% from 2026 to 2030.

2024). Therefore, a KLCI/GDP growth ratio of 1.2x. During the next 5 years, assuming an average annual GDP of +5.0% (being the range mid-point) and applying the same KLCI/GDP growth ratio of 1.2x, we envisage the FBM KLCI earnings shall likewise trend higher with a CAGR of +6.0%.

FBM KLCI: Ballpark Projections



Source: TradingView, MBSBR

As the local equity benchmark FBM KLCI is estimated to register earnings of 109.4 points in 2025, a CAGR of +6.0% during the next 5 years would push the FBM KLCI earnings to 146.4 points by the end of 2030. During the past 10 years, the PER valuation of FBM KLCI ranged mostly between 18x to 13x with an average of 16x. Based on its historical PER valuations with a high of 18x, a low of 13x, and an average of 16x, we therefore make ballpark projections for the FBM KLCI in 2030 with a high (optimistic) target of 2,630 points, a low (pessimistic) target of 1,900 points, and an average (baseline) target of 2,340 points.

FBM KLCI average (baseline) ballpark projection at 2,340 points in 2030.

We expect that the consumer sector is one of the major beneficiaries of 13MP, driven by policies aimed at increasing household income and social protection. The government's push to raise the Compensation of Employees (COE) to 40% of GDP by 2030 and the implementation of a Progressive Wage Policy is expected to uplift earnings for a large portion of the population. This increase in disposable income will directly benefit consumer spending on both essential and discretionary goods. The expansion of social protection programs like Sumbangan Tunai Rahmah (STR) and Sumbangan Asas Rahmah (SARA) further stabilizes purchasing power, particularly for the B40 group. Additionally, a revitalized tourism sector, supported by upgrades to infrastructure and promotional efforts, is expected to increase footfall in retail and food and beverage outlets.

Consumer sector a major beneficiary.

The construction sector is also poised for significant growth. This is underpinned by a substantial federal development allocation of RM430b for the 13MP period, complemented by private sector investments through public-private partnerships (PPPs). Key drivers include major infrastructure projects such as public transport expansion (LRT3, RTS Link, ECRL), rural and strategic road upgrades, and industrial, port, and energy infrastructure in economic zones. The report also notes a strong focus on flood mitigation efforts, with a significant allocation

And as usual, so is the construction sector.

for projects and AI-powered early warning systems. This sustained pipeline of projects ensures long-term job visibility for contractors and boosts demand for materials like cement.

Continued support for renewable energy.

Lastly, we saw continued government support for the renewable energy sector is a clear beneficiary of the 13MP, primarily driven by the National Energy Transition (NETR) policy. This strategic initiative is creating new growth opportunities by positioning states like Sabah as a "national sustainable energy hub" and Sarawak as a "Sarawak Hydrogen Hub." These developments are designed to attract clean-tech investments and foster green industrialization. The report also indicates that the construction sector will benefit from this transition through the development of "waste-to-energy (WTE) infrastructure," further solidifying the government's commitment to building the necessary infrastructure for a cleaner energy future.

Top picks based on potential beneficiaries.

Given the abovementioned three sectors as the potential major beneficiaries of 13MP, our top picks for the 13MP are as follows:

Bloomberg ticker	Company	Rec.	Share price as of 31/7/25 (RM)	TP (RM)	Expected share price return	Expected div. yield	Total expected return
Consumer							
LHIB MK	Leong Hup	BUY	0.61	0.90	48.8%	4.1%	52.9%
AEON MK	AEON Co.	BUY	1.30	1.77	36.2%	3.5%	39.7%
PAD MK	Padini	BUY	1.99	2.49	25.1%	6.0%	31.2%
LWSABAH MK	Life Water	BUY	0.80	1.00	25.8%	1.6%	27.4%
FNH MK	F&N	BUY	28.64	32.68	14.1%	2.7%	16.8%
SPZ MK	Spritzer	BUY	1.60	1.75	9.4%	2.2%	11.6%
Construction							
LMC MK	Malayan Cement	BUY	5.60	7.49	33.8%	1.8%	35.5%
IJM MK	IJM Corporation	BUY	2.86	3.74	30.8%	2.8%	33.6%
CMS MK	Cahya Mata Sarawak	BUY	1.24	1.57	26.6%	2.4%	29.0%
SCGB MK	Sunway Construction	BUY	5.24	6.44	22.9%	1.3%	24.2%
GAM MK	Gamuda	BUY	5.18	5.42	4.6%	1.9%	6.6%
MRC MK	MRCB	BUY	0.54	0.56	4.7%	1.9%	6.5%
Utilities (RE)							
SUNVIEW MK	Sunview	BUY	0.41	0.54	31.7%	0.0%	31.7%
SAMAIDEN MK	Samaiden	BUY	1.24	1.59	28.2%	1.2%	29.4%
PEKAT MK	Pekat Group	BUY	1.50	1.86	24.0%	0.0%	24.0%

Source: Bloomberg, MBSBR

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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