Budget 2027 Preview

Expecting to Balance Growth, Household Support and Fiscal Reform

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Strategy Report

KEY INVESTMENT HIGHLIGHTS

- Budget 2027 is expected to support economic growth, household welfare and institutional reform while advancing 13MP.
- Malaysia enters the Budget with resilient growth, manageable inflation and strong investment in E&E, data centres and AI-related activities.
- Federal expenditure could reach RM440.9b, with development spending rising to RM85–90b.
- The fiscal deficit is projected to narrow gradually to 3.3–3.5% of GDP in 2027.
- Key measures may include targeted household assistance, infrastructure acceleration, energy security, AI adoption, healthcare and food security.
- Revenue initiatives could emphasise tax compliance, targeted excise duties, carbon pricing, subsidy rationalisation and PPP.
- Construction offers the clearest equity exposure, followed by utilities, renewable energy, consumer staples, healthcare and selected technology companies.
- Companies mentioned in this report: Gamuda (BUY, TP: RM5.60), IJM (BUY, TP: RM3.32) and SunCon (BUY, TP: RM9.18), MRCB (BUY, TP: RM0.40), MCement (BUY, TP: RM9.53), Cahya Mata Sarawak (NEUTRAL, TP: RM1.04), Tenaga Nasional (BUY, TP: RM16.31), Pekat (BUY, TP: RM2.46), Samaiden (BUY, TP: RM2.45), Oppstar (NR), Pentamaster (NR), Greatech (NR), Frontken (NR), Inari (BUY, TP: RM2.95), ViTrox (NR), 99 SMart (BUY, TP: RM4.37), MR D.I.Y. (BUY, TP: RM2.13), QL Resources (NEUTRAL, TP: RM4.11) and Leong Hup (BUY, TP: RM1.03).

Background

Second budget under the 13th Malaysia Plan

Budget 2027 is scheduled to be tabled on 9 October 2026. It will be the fifth MADANI Budget and the second budget under the 13th Malaysia Plan. The Ministry of Finance has identified three overarching priorities, which are aligned with the MADANI Economy Framework:

1. **Raising the ceiling** for economic growth
2. **Raising the floor** for household living standards
3. **Driving reform** in governance and public administration

Within these pillars, Budget 2027 is expected to focus on productivity, innovation, energy transition, food security, digitalisation, artificial intelligence, skilled employment and protection against rising living costs especially in light of the impact from US-Iran conflict.

Macro setting: A strong platform for Budget 2027

Malaysia enters the Budget 2027 period with stronger economic momentum than anticipated. Real GDP expanded by +5.7%yoy in 1HCY26. Growth was supported by continued household spending, exports, investment, E&E manufacturing, natural gas production and the operationalisation of data centres.

The information and communications technology segment benefited from data-centre activities, while manufacturing was supported by export-oriented E&E clusters and AI-related demand. This indicates that Malaysia is already receiving an economic dividend from global technology investment, although the challenge is to deepen domestic value-added rather than simply provide land, utilities and construction capacity.

Meanwhile, inflation remains manageable. Headline CPI increased by +1.8%yoy in Jul-26, moderating further from +1.9%yoy in Jun-26. Food and beverages inflation stood at +1.8%yoy, housing and utilities at +1.8%yoy, and information and communications at

+3.4%yoy. During January to July 2026, headline inflation averaged +1.8%yoy, compared with +1.4%yoy in the corresponding period of 2025.

The combination of robust growth, favourable employment conditions and contained inflation gives the Government room to sustain domestic demand while continuing gradual fiscal consolidation. However, external energy prices and supply-chain disruptions stemming from prolonged Middle East conflict remain important risks.

Budget 2027 vis-à-vis 13MP

The 13th Malaysia Plan (13MP) targets average real GDP growth of +4.5% to +5.5% per year between 2026 and 2030, underpinned by private investment, manufacturing, services, digitalisation, energy transition and productivity improvements.
Other key 13MP objectives include:

- Labour productivity growth of +3.6% per year
- Median monthly wages of RM3,500 by 2030
- A fiscal deficit below 3% of GDP by 2030
- Federal debt at or below 60% of GDP by 2030
- A renewable-energy share of 35% by 2030
- Higher female labour-force participation
- Greater domestic technological and industrial capability

The 13MP reportedly identifies approximately RM611b of investments, including RM227b directed towards economic sectors and RM120b to be mobilised through GLICs and GLCs. Our GDP growth projection of +5.1% for 2026 is well within the 13MP target of +4.5% to +5.5% per annum; and preliminarily, we expect Malaysia's economic growth to remain within this target range even into next year.

Less likely new initiatives

We believe that Budget 2027 should therefore be judged less by the number of new initiatives announced and more by:

1. How quickly approved programmes move into procurement and construction
2. Whether investment incentives create Malaysian skills and intellectual property
3. Whether development spending improves productivity
4. Whether household protection is delivered without reversing fiscal reform

Fiscal outlook: Consolidation without austerity

Budget 2027 could set a new record size

Budget 2027 is expected to remain moderately expansionary; we forecast that total Federal Government expenditure could potentially reaching a new record of around RM440.9b (Budget 2026: RM421.2b). The larger allocation is likely to reflect higher operating expenditure, continued social and cost-of-living support, as well as higher development spending. Nevertheless, the increase is expected to remain measured as the Government continues to balance the need to support economic growth with its medium-term fiscal consolidation objectives.

Revenue collection to improve, but gains may be gradual

Federal Government revenue is expected to improve further in 2027, supported by increased direct and indirect tax collections on the back of sustained economic growth, continued efforts to broaden the revenue base and improved fiscal collections. The wider implementation of e-Invoicing and digitalisation of tax administration should gradually strengthen compliance and reduce leakages, while the expanded SST base should continue to support indirect tax receipts. For 2026, MOF had originally projected revenue

of RM343.1b, underpinned by better tax collection and digitalisation initiatives. Total revenue is estimated to reach RM365.1b next year.

Moderately expansionary fiscal spending

On the expenditure side, Budget 2027 is expected to remain moderately expansionary as the Government continues implementation of development programmes under the 13MP, while maintaining spending on healthcare, education, infrastructure and targeted social assistance. For 2027, we project the development expenditures will increase to around RM85–90b (Budget 2026: RM81b) as project implementation gathers pace in the second year of the 13MP. Expenditure discipline will remain an important consideration, as debt-service commitments and social support would limit the Government's flexibility to contain operating expenditure. To cover other emoluments, subsidies & social assistance, supplies and other items, we expect operating expenditures will expand to RM355.7b (Budget 2026: RM338.2b).

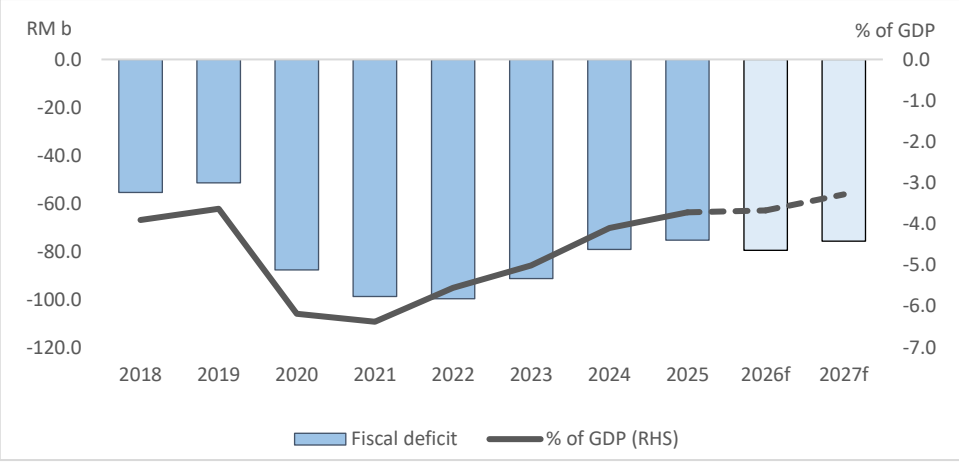
Subsidy savings provide a buffer, but energy costs remain elevated

Previously implemented subsidy rationalisation measures continued to provide an important fiscal buffer. According to MOF, the targeting of subsidies together with the floating of chicken and egg prices resulted in RM15.5b in annual savings. However, these savings have been substantially absorbed by the rise in global energy costs in 2026, with the fuel subsidy bill estimated to reach RM35-40b amid elevated crude oil prices caused by geopolitical conflicts in the Middle East. Hence, the rationalisation measures should be viewed primarily as containing the rise in expenditure rather than delivering an equivalent improvement in the fiscal balance.

Fiscal consolidation likely to resume only gradually

We expect the fiscal deficit to remain around 3.7% of GDP in 2026 (2025: 3.7%), above the Government's original target of 3.5%. This reflects the higher subsidy burden and a slower-than-expected realisation of some revenue-enhancement measures. On another note, resilient economic growth also helps to prevent a more significant deterioration in fiscal position. For 2027, we expect the deficit to narrow to around 3.3% to 3.5% of GDP. This would still represent the continued fiscal consolidation, albeit at a relatively slower pace than the Government's original medium-term path. The medium-term objective under the Public Finance and Fiscal Responsibility Act aims to keep the fiscal deficit at 3% of GDP or lower.

Chart 1: Federal Government's Fiscal Deficits (RM b) and ratio to GDP (%)



Source: BNM, MOF, MBSBR estimate

Possible Budget Measures

Against a challenging backdrop

Budget 2027 is being formulated against a more challenging backdrop given geopolitical conflict in the Middle East (which impact may yet to be felt) and increased importance of delivering visible economic outcomes. The conflict presents downside risks through higher energy prices, supply-chain disruptions, potentially weaker external demand and renewed inflationary pressures. Domestically, the Government must demonstrate that Malaysia's resilient growth and strong investment pipeline are translating into higher incomes, better public services and tangible improvements in household welfare. This creates policy balancing act between preserving fiscal consolidation, protecting households from external shocks and accelerating development expenditure that can generate employment, productivity gains and broader economic spillovers.

Likely broad measures of Budget 2027

Given this backdrop, we expect that a mild expansionary budget which focus on infrastructure spending and consumer friendly measures for Budget 2027. Some of the potential effect could be:

- **More visible household relief -** The Government is likely to place additional emphasis on measures that can be felt directly by households, including food assistance, medical relief, childcare, transport and targeted energy support.
- **Greater attention to middle-income households -** Existing assistance has largely focused on lower-income households. The current environment increases the incentive to recognise that middle-income families also face pressure from food, housing, childcare, healthcare and education costs. It had been suggested that Budget 2027 could broaden assistance while retaining targeted mechanisms.
- **A potential minimum wage review** - Malaysia's RM1,700 minimum wage, mandated nationwide since Aug-25 (excluding domestic workers), is currently under review by the National Wages Consultative Council. The assessment weighs basic living costs and median wage trends against corporate financial capacity to decide whether to maintain or adjust the existing wage floor.
- **Stronger regional distribution -** Sabah and Sarawak should receive meaningful infrastructure and public-service allocations. This is economically justified by infrastructure gaps and strategically important for maintaining inclusive national growth.
- **A lower probability of disruptive taxes -** The immediate introduction of a broad-based tax is unlikely. Revenue measures would probably instead focus on compliance, enforcement, subsidy leakage, excise duties and selected environmental instruments.
- **Faster project announcements and awards -** The Government has an incentive to demonstrate execution. This could accelerate tenders for water, flood mitigation, public transport, schools, hospitals and regional connectivity, amongst others.

Infrastructure: From planning to physical execution

The first year of a five-year national plan is usually focused on project planning, approval and procurement. Budget 2027 should be the point at which a larger portion of the 13MP pipeline moves into physical implementation. The Government previously indicated that 2026 development spending was partly shaped by first-year planning and approval requirements. Potential areas of allocation could include:

- Flood-mitigation packages
- Non-revenue water reduction
- Sabah and Sarawak connectivity
- Industrial infrastructure
- Grid connections for industrial parks

- Water-treatment & distribution capacity
- Rural roads and bridges
- Urban public-transport upgrades
- School and hospital maintenance
- Public housing and community facilities
- Ports, airports and logistics infrastructure

Construction could experience the strongest immediate budget-related sector reaction. However, the more durable beneficiaries will be companies with actual tender visibility, sufficient working capital and a strong execution record.

Sabah and Sarawak: Infrastructure and regional inclusion .

Budget 2027 could feature a stronger East Malaysia component. The economic arguments are compelling, while the current coalition structure reinforces the importance of addressing infrastructure and public-service gaps. Some of the potential priorities:

- Rural roads and bridges
- Electricity and water access
- Schools and healthcare facilities
- Telecommunications coverage
- Ports and airports
- Flood and coastal protection
- Energy & petrochemical infrastructure
- Industrial clusters
- Tourism connectivity
- Agricultural logistics

Energy transition and power security

Malaysia's electricity system is becoming a key determinant of investment capacity. Semiconductor factories, data centres and industrial parks require generation, transmission, storage and reliable grid connections.

The 13MP targets a 35% renewable-energy share by 2030 and envisages energy storage, smart grids, inter-regional integration, green hydrogen and longer-term examination of nuclear power. Possible Budget measures:

- Capital allowances for solar and battery storage
- Green-investment tax allowances tied to commissioning
- Funding or guarantees for grid upgrades
- Rooftop-solar incentives
- Corporate renewable-energy procurement
- Battery energy-storage tenders
- Energy-efficiency grants for factories
- Electric bus and commercial-fleet support
- Local manufacturing incentives for cables, inverters and transformers
- A phased carbon-pricing roadmap

AI, semiconductors and industrial upgrading

Budget 2027 should move Malaysia's AI agenda beyond data-centre construction towards enterprise adoption, domestic intellectual property, cybersecurity and workforce productivity. Malaysia's GDP growth in CY26 thus far was supported by E&E manufacturing and AI-related external demand, while ICT services benefited from operational data-centre capacity. Meanwhile, we also saw the launch of the National AI Action Plan 2026-2030. Potential initiatives relating to these measures may include:

- Matching grants for MSME automation
- Tax deductions for approved AI and cloud expenditure
- Cybersecurity investment incentives
- R&D credits linked to patents and commercialisation
- Co-funding for chip design and advanced packaging
- Incentives for higher-value testing activities
- Returning-talent programmes

- Government procurement of Malaysian digital solutions
- Sovereign-cloud and public-sector data infrastructure
- Automation financing guarantees

Cost of living: Target the household, not the commodity

The Government is likely to continue reducing leakage from blanket subsidies while recycling some savings into targeted transfers and essential services. Targeted subsidy reforms involving electricity, diesel and RON95, alongside the floating of chicken and egg prices, have reportedly generated annual savings of around RM15.5 billion, providing additional fiscal space to absorb higher energy-related subsidy costs. Possible measures:

- Higher targeted cash assistance
- Wider eligibility for selected middle-income households
- Expanded food credits
- School-meal and nutrition programmes
- Public-transport passes
- Targeted electricity support
- Income-sensitive fuel assistance
- Childcare and caregiving tax relief
- Higher medical and parental care relief

Healthcare, ageing and the care economy

We believe that healthcare spending is likely to become a more prominent structural theme. Malaysia's ageing population, public-hospital constraints and low female participation in parts of the labour market increase the importance of professional caregiving, childcare and digital health. Recent pre-budget expectations identify healthcare, ageing and the care economy as important Budget 2027 considerations. Potential initiatives:

- Public-hospital digitalisation
- Interoperable electronic medical records
- Rural clinics and mobile healthcare
- Public-private diagnostic partnerships
- Elderly care and rehabilitation incentives
- Preventive-health programmes
- Local pharmaceutical and medical-device procurement
- Training for nurses and allied health workers
- Childcare and professional caregiving support

Food security and agriculture

Food security is likely to remain a policy priority because food prices have a disproportionate effect on household sentiment. Meanwhile, one of the effects of the Middle East conflict could come in the form of food security, due to supply chain disruption of fertilizers and diesel. We could possibly see the following initiatives:

- Precision-agriculture grants
- Farm mechanisation
- Irrigation and water management
- Cold-chain and storage infrastructure
- Local seed and feed development
- Agrofood financing
- Modern wholesale markets
- Crop insurance
- Land consolidation
- Aquaculture and livestock productivity

Revenue measures: What could fund the budget?

Various Measures to fund the budget

To support fiscal consolidation under the Public Finance and Fiscal Responsibility Act (FRA), Budget 2027 should focus on supply-side efficiency: broadening the tax base, closing leakages, expanding consumption excises, introducing carbon pricing, rationalising spending, and crowding in private investment.

1. Administrative Efficiency & Revenue Protection

• **e-Invoicing Realignment:** Mandatory e-Invoicing and cross-agency data integration between LHDN and Customs (RMCD) will capture real-time B2B/B2C transactions, boosting direct tax compliance without altering income tax rates. Raising the exemption threshold to RM3m (effective 1 September 2026) relieves compliance costs for over 1.1 million MSMEs, giving small businesses space to focus on growth.

• **Digital Tax Stamps:** Deploying secure track-and-trace technology across contraband-prone sectors (cigarettes, vaping products, and alcohol) suppresses illicit trade, recovers lost duties, and protects legal retail margins.

• **Embedding Elements of GST to SST:** The Government is studying selected GST features while retaining SST as the national tax system. Potential enhancements could include mechanisms to reduce tax cascading, such as input tax credits or refunds, which may lower business costs and improve tax efficiency. More details could be announced in Budget 2027.

2. Targeted Indirect & Health Excises

• **Health Levies:** Raising excise duties on sugar-sweetened beverages (increasing tax per liter) and expanding levies on tobacco and e-cigarettes leverages short-term price inelasticity for immediate public health revenue. Long-term price sensitivity encourages healthier consumer choices, curbing national healthcare costs over time.

3. Green Fiscal Framework (Carbon Tax)

• **Phased Industrial Rollout**: Introducing a targeted Carbon Tax, initially on heavy industrial emitters (power generation, iron, steel, and petrochemicals), prices carbon responsibly and supports decarbonisation.

• **Fiscal Yield:** An initial rate of RM10/tCO_2e is projected to raise around RM2.1 billion annually in the first five years of implementation, scaling to RM3.0–RM5.0b per year as the rate escalates to RM15–RM20 per tonne (refer our thematic report on *Taxing Carbon in Malaysia*). This aligns Malaysia with international benchmarks like the EU CBAM while funding renewable energy transition subsidies and protecting vulnerable households.

4. Spending Rationalisation & Procurement Governance

• **Targeted Transfers**: Shifting away from blanket subsidies to micro-targeted fuel, electricity, and social assistance for B40/M40 households eliminates high-income deadweight loss where marginal propensity to consume is highest.

• **Procurement Integrity:** Enforcing the statutory Government Procurement Act backed by mandatory e-procurement open platforms, competitive tendering, and personal liability for controlling officers, curbs leakages, lowers public capital costs, and maximises development expenditure multipliers.

• **Prioritise Spending:** Concentrating on high-priority and high-impact programmes, particularly healthcare, education, infrastructure, digitalisation and targeted assistance, while lower-priority spending is rationalised to maximise fiscal efficiency.

5. Off-Budget Capital & PPP Modernisation

• **Institutional Off-Budget Deployment:** Expanding the GEAR-uP initiative mobilises GLIC/GLC capital (e.g., Khazanah, EPF, KWAP) to fund strategic industries (semiconductors, data centres, renewable energy) without expanding federal deficit levels.

• **PPP Master Plan 2030 (PIKAS 2030):** Upgrading Public-Private Partnership frameworks shifts projects away from direct government payments toward user-pay or hybrid models, offloading delivery risk to private concessionaires, safeguarding state funds, and catalytic economic output.

Wish List

Some potential wishlist

Budget 2027 should not be assessed only through fiscal expenditure. It should also strengthen Malaysia's broader investment ecosystem and the mobilisation of domestic capital. Our wish list centres on policy certainty, transparent project implementation, outcome-based incentives and measures that channel long-term savings into productive investment. A successful budget would not merely provide near-term economic support. It would improve access to growth capital, strengthen domestic capabilities and help translate Malaysia's investment cycle into sustainable productivity, higher-quality employment and long-term economic value.

1. **Publish a multi-year project pipeline -** Disclose project values, tender timing, funding sources and execution milestones. This would improve planning and reduce speculative market movements.
2. **Make investment incentives outcome-based -** Tax incentives should be linked to:
    - Malaysian skilled employment
    - Domestic supplier development
    - R&D
    - Intellectual-property creation
    - Export value-added
    - Energy efficiency
    - Commercialisation
3. **Enhance reinvestment allowances -** Provide accelerated allowances for automation, robotics, digitalisation, cybersecurity, energy efficiency and supply-chain localisation.
4. **Establish a national grid-investment framework -** Clarify regulated returns, private-sector participation, transmission priorities and storage tenders.
5. **Expand semiconductor ecosystem financing -** Provide co-investment or guarantees for design houses, advanced packaging, specialised testing, compound semiconductors and materials.
6. **Encourage long-term household investment -** Consider limited tax deductions for approved retirement, unit trust or equity-savings products, with minimum holding periods.
7. **Link affordable housing to transport -** Prioritise owner-occupied housing near public transport instead of broad transaction incentives that could encourage speculation.

8. **Provide a phased carbon-pricing roadmap -** Companies need visibility on timing, industry coverage, allowances and offsets. Predictability is more important than an abrupt tax.
9. **Avoid surprise taxes-** Any new levy should include consultation, clear definitions and a reasonable transition period.
10. **Create a public dashboard for investment implementation -** The next challenge is converting approvals into construction, machinery orders, production and skilled employment. A public dashboard would improve project implementation tracking and outcomes, while strengthening transparency and accountability.
11. **Improve regional project transparency -** Sabah and Sarawak allocations should be accompanied by measurable implementation timelines and outcomes.

Equity Strategy

A supportive Budget amid a more challenging backdrop

We expect Budget 2027 to remain moderately expansionary as the government balances geopolitical risks, cost-of-living pressures and the increased importance of delivering visible economic outcomes. While Malaysia's economic momentum remains resilient, the full impact of the Middle East conflict on energy prices, supply chains, inflation and external demand may yet to be felt. We therefore expect the government to preserve sufficient fiscal flexibility to protect households and sustain investment, with the fiscal deficit likely to improve towards -3.3% to -3.5% of GDP. Nevertheless, this should not be an indiscriminate spending Budget. Fiscal support will likely remain targeted, complemented by improved tax compliance, subsidy efficiency, and investments by GLCs, GLICs and the private sector.

Construction is expected to be the most obvious beneficiary

We expect development expenditure to increase to between RM85b and RM90b (Budget 2026: RM81b) as implementation under the 13th Malaysia Plan gathers pace. The emphasis will likely remain on projects with visible economic and social benefits, including flood mitigation, water infrastructure, roads, public transport, hospitals, schools and industrial-supporting facilities. Sabah and Sarawak should continue to receive meaningful allocations, while infrastructure requirements associated with the Johor-Singapore Special Economic Zone could provide an additional source of project flows. Potential beneficiaries include **Gamuda (BUY, TP: RM5.60), IJM Corporation (BUY, TP: RM3.32)** and **Sunway Construction (BUY, TP: RM9.18)** for larger and more complex infrastructure packages, **MRCB (BUY, TP: RM0.40)** for transport and urban infrastructure exposure, **Malayan Cement (BUY, TP: RM9.53)** as a building-materials proxy, and **Cahya Mata Sarawak (NEUTRAL, TP: RM1.04)** for its leverage to construction activity in Sarawak. Among the sectors, we believe construction offers the clearest and most direct transmission from Budget allocations to corporate earnings.

Utilities and electrification are likely to be another major winner

Malaysia's expanding semiconductor, industrial and data-centre pipeline requires substantial investment in electricity generation, transmission, grid stability, water capacity and renewable energy. We expect Budget 2027 to support grid upgrades, battery storage, large-scale solar, corporate renewable-energy procurement and energy-efficiency initiatives, although much of the spending may sit outside direct federal development expenditure. **Tenaga Nasional (BUY, TP: RM16.31)** should be the principal listed beneficiary of higher grid and transmission investment, while **Pekat (BUY, TP: RM2.46)** and **Samaiden (BUY, TP: RM2.45)** could benefit from additional solar and energy storage opportunities. Electrical equipment and cable companies could also gain from the

wider electrification cycle. However, we would be selective on data-centre-related names, favouring companies with secure power capacity, credible customers and visible project execution.

AI and technology could provide a selective thematic trade

Budget 2027 is likely to move the policy emphasis beyond data-centre construction towards AI adoption, commercialisation, sovereign digital infrastructure, cybersecurity and higher-value semiconductor activities. Possible measures include matching grants or tax deductions for MSMEs adopting AI and automation, support for cloud and cybersecurity expenditure, funding for AI-related skills, and financing for chip design, advanced packaging and R&D. Potential beneficiaries include, **Oppstar (NR)** through local integrated-circuit design, and semiconductor equipment and services companies such as **Pentamaster (NR), Greatech (NR), Frontken (NR), Inari (BUY, TP: RM2.95)** and **ViTrox (NR)**. However, the latter group remains more sensitive to the global semiconductor cycle than to domestic fiscal spending. We therefore view AI as an important secondary Budget theme, with the most investable exposure likely to lie among companies possessing commercially relevant capabilities rather than those benefiting mainly from thematic association.

Rakyat-centric measures should sustain consumer staples and value retail

We expect Budget 2027 to continue targeted cash assistance, food credits and cost-of-living programmes, potentially with broader support for households facing rising essential expenses. This should favour companies exposed to groceries, affordable household products and basic food consumption, where demand is generally more defensive and the propensity to spend additional assistance is higher. Companies to monitor include **99 Speed Mart (BUY, TP: RM4.37)** and **MR D.I.Y. (BUY, TP: RM2.13)** through their extensive value-retail networks, **QL Resources (NEUTRAL, TP: RM4.11)** through its integrated food and convenience-store exposure, and **Leong Hup International (BUY, TP: RM1.03)** through demand for affordable protein. Food-security initiatives that improve local production, supply reliability and rural incomes could provide an additional supportive channel for QL Resources and Leong Hup. Any upside, however, will depend on the scale and eligibility of household assistance, as well as the extent to which higher input and logistics costs offset stronger demand.

Healthcare may also benefit from higher public spending and care-economic initiatives, with **IHH Healthcare (BUY, TP: RM10.18), KPJ Healthcare (BUY, TP: RM3.70)** and **Pharmaniaga (BUY, TP: RM1.44)** among the potential beneficiaries, subject to the final design of public-private healthcare programmes and procurement measures.

Constructive on the direction of Budget 2027, with construction likely to offer the clearest potential exposure

Based on our expectations, construction could be the primary beneficiary if Budget 2027 accelerates development expenditure and the implementation of projects under the 13th Malaysia Plan. Utilities and electrification may also benefit if the Budget provides further support for grid capacity, renewable energy and industrial infrastructure, while targeted household assistance could remain supportive of the consumer sector. AI and technology represent a more selective theme, depending on whether the Government prioritises enterprise adoption, digitalisation, semiconductor capabilities and local commercialisation. As this is a Budget preview, the eventual beneficiaries will depend on the scale, design and implementation of the measures announced. For now, we recommend monitoring companies such as **Gamuda, IJM Corporation, Sunway Construction, Malayan Cement and Cahya Mata Sarawak** for infrastructure; **Tenaga Nasional, Pekat, and Samaiden** for electrification and renewable energy; and **99 Speed**

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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