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Analysis: 2027 to be year of construction execution



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KUCHING: 2027 will be a year of execution rather than new announcements for the construction sector with near-term share price catalysts sitting largely outside the Budget 2027 speech itself.

Apex Securities in a note on Friday said its base case for Budget 2027, to be tabled on October 9, is continuity rather than new stimulus for the sector.

It said the sector's order book is already underpinned by a multi-year pipeline of rail, highway, water and East Malaysia connectivity projects carried over from Budget 2026.

The research house said 2027's key swing factors would be execution milestones, including contract awards, tender outcomes and funding progress, rather than new mega-project announcements.

It held an overweight stance on the sector, citing the pending Penang LRT Civil Main Contract 2 (CMC2) award, the potential finalisation of the Johor Bahru Elevated Autonomous Rapid Transit (E-ART) project, stabilising input costs and a structurally supportive hyperscale data-centre construction pipeline.

"The CMC2 award in November and E-ART's finalisation by end-2026 both fall just after Budget 2027 is tabled, meaning the budget itself may only provide supportive commentary while the actual contract news flow crystallises in the following weeks," it said.

On data centre, Apex Securities views the data centre pipeline as the more structurally durable



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Apex Securities

growth driver given that much of the pipeline is already supported by signed electricity supply agreements.

As of the first quarter of 2026, Tenaga Nasional Bhd (TNB) was supplying 36 operating data centres with 4.5 gigawatts (GW) of capacity, while a further 23 projects totalling 3.8GW were

under construction. Using a conservative construction-cost assumption of RM20 million to RM25 million per megawatt, it said the 3.8GW under-construction pipeline represents a potential RM76 billion to RM95 billion of construction value.

"We see this as a demand pool that will keep contractors with

power-dense, mechanical and electrical-heavy capabilities busy independent of how the public infrastructure cycle evolves, and one that should partly offset any near-term disappointment if MRT3 or E-ART timelines slip further," it said.

On wages, the research house expects Budget 2027 to potentially announce a revision to the minimum wage from the current RM1,700, with the new rate potentially falling within the RM1,700 to RM2,000 range.

It said any increase would add to labour costs for construction, which remains highly reliant on foreign labour, putting further pressure on project margins, particularly for labour-intensive and fixed-price contracts.