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A trader’s guide to navigating Budget 2027

The Star, Malaysia



ECONOMY

KUALA LUMPUR: Malaysia's consumer and construction stocks may emerge as beneficiaries of next year's spending plan as Prime Minister Datuk Seri Anwar Ibrahim seeks to ease living costs while maintaining fiscal prudence.

Anwar, who also serves as finance minister, is expected to announce measures to support households and sustain infrastructure spending when he unveils the annual budget on Friday.

Investors will also be on watch for any update on a potential minimum-wage revision, which may boost consumption but add to earnings risk for companies.

While Malaysia's economy remains resilient, a renewed climb in oil prices is driving up fuel-subsidy costs, potentially weighing on the fiscal outlook and investor confidence.

The spending plan ahead of a national election due early 2028 comes as Anwar seeks to rebuild public support following recent state poll setbacks.

"Given the proximity to the 16th general election or GE16, this will be a people's budget," said Alexander Chia, analyst at RHB Research.

"Social protection initiatives targeted at the lower and mid-income groups will be positive for the consumer, property, transport and healthcare sectors."

The country's stock benchmark has fallen nearly 3% this year, lagging some South-East Asian peers including Thailand and Vietnam, as fiscal and political risks weigh.

Moreover, foreign funds have sold US\$1.59bil of local shares on a net basis so far in 2026.

Several key areas warrant close attention in the Budget 2027 announcement.

Budget 2027 is poised to include targeted

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A people’s budget expected due to proximity to GE16

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assistance and measures to boost wages as the government seeks to temper the prospect of rising inflation on the cost of living.

A likely increase in cash handouts to around RM17bil from RM15bil in 2026 should support mass-market consumption, according to Apex Securities analyst Wong Kai Heng.

That should benefit retailers such as 99 Speed Mart Retail Holdings Bhd and Padini

Holdings Bhd, as well as food and beverage companies including Nestle (Malaysia) Bhd, CCK Consolidated Holdings Bhd and Oriental Kopi Holdings Bhd.

Analysts expect a modest increase in the development expenditure, which would provide continued support for infrastructure investment. Key projects that could feature under Budget 2027 include the light rail transit in Penang, the Northern Perak Water Supply Scheme and basic infrastructure projects in Sabah and Sarawak.

"Potential beneficiaries of development expenditure expansion would be concentrated among contractors and suppliers exposed to water infrastructure and pipe replacement, flood mitigation, rural infrastructure, grid investment, and projects in Sabah and Sarawak," Ivy Ng Lee Fang, an

analyst at CIMB Securities, wrote in a report. That may boost firms in the construction industry, including Gamuda Bhd, IJM Corp Bhd and Malayan Cement Bhd.

The government may allocate funds to upgrade the national grid and water infrastructure to support rising demand from data centres, according to Max Koh, an analyst at RHB Research.

Greater funding, along with efforts under the National Energy Transition Roadmap, may benefit energy firms like YTL Power International Bhd and Tenaga Nasional Bhd.

Meanwhile, Samaiden Group Bhd and Solarvest Holdings Bhd may also gain from new solar tenders.

Investors in the bond market will be focused on the fiscal deficit target, as well as the debt supply for 2027 amid higher energy costs.

Any further subsidies that could impact the government's fiscal consolidation efforts may weigh on investor sentiment.

"Prudent fiscal policy is increasingly appreciated by markets," said Winson Phoon, head of fixed-income research at Maybank Securities. "We expect further progress toward the government's medium-term fiscal target of 3% of gross domestic product (GDP), potentially setting a target of 3.3% of GDP." — Bloomberg