



Investments set to unlock growth opportunities

Sentiment	Positive	Frequency	Daily
Outlet Country	Malaysia	Outlet Language	English
Impressions	582,136	Circulation	291,068
PR Value	174,641	Page	7

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Robust investor confidence can drive country's expansion

ECONOMY

PETALING JAYA: Malaysia's economic transformation is set to unlock growth opportunities across multiple sectors, driven by strategic investments in digital infrastructure and water management.

This shift is underscored by robust investor confidence, reflected in the RM378.5bil in approved investments for 2024, signalling a strong commitment to digitalisation and enhanced infrastructure.

BIMB Research has highlighted the significant impact of these investments, particularly in the telecommunications and data centre sectors.

According to the research house, investments in these areas are crucial for enhancing productivity and strengthening Malaysia's competitiveness.

"Investments in these areas are driving the expansion of digital infrastructure, which is critical for enhancing the productivity and competitiveness of our country," it stated in its report yesterday.

BIMB Research also noted that Malaysia's Water Sector Transformation 2040 initiative aims to address longstanding infrastructure gaps, reduce non-revenue water, and ensure sustainable water resources.

"The integration of modern water management with digital infrastructure not only supports efficient operations in capital-intensive industries such as data centres but also paves the way for broader economic resilience and the sustainability of water resources."

Several sectors are poised to benefit from this transformation, including telecommunications, construction, utilities, healthcare, and property.

BIMB Research views these industries as key enablers of Malaysia's modernisation drive, with strategic players positioned to capitalise on the evolving landscape.

In telecommunications, Telekom Malaysia Bhd stands out as a primary beneficiary, serving both public and private sectors. BIMB Research recommends "buy" on the counter with a target price of RM7.78 per share.

While maintaining a "neutral" stance on the sector overall, the research house

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BIMB Research

expects fixed broadband growth to remain strong despite slower mobile monetisation.

"We maintain a 'neutral' call on the telco sector due to limited potential for average revenue per unit growth, slower-than-expected 5G monetisation, uncertainties surrounding the finalised structure of the 5G dual network model and a lack of catalysts within the industry."

"However, we do anticipate improvement in 5G monetisation over the long term," it added.

The data centre boom is also reshaping Malaysia's property sector, with developers adjusting their strategies to meet the rising demand for land and facilities that cater to these projects.

BIMB Research maintained an "overweight" stance on the property sector, with "buy" calls on Mah Sing Group Bhd, with a target price (TP) of RM2.19 per share, Sime Darby Property Bhd (TP: RM1.73) and Lagenda Properties Bhd (TP: RM1.48).

It noted that Mah Sing's 42.5-acre plot in Meridin East, Johor, is reportedly under consideration for sale to a data centre player, highlighting the sector's evolving growth trajectory.

In the construction sector, BIMB Research reiterated its "overweight" rating and identified Gamuda Bhd as its top pick.

"Gamuda has been establishing itself as a key player in Malaysia's water infrastructure sector, positioning the group strategically to secure more water-related projects in the future," the research house noted.

With extensive experience in major projects like the Sungai Selangor Water Supply Scheme Phase 3, Smart Tunnel and Yen So Sewage Treatment Plant in Vietnam, Gamuda's credentials place it in

a favourable position for future water-related initiatives.

BIMB Research also noted that pipe manufacturers such as Engtex Group Bhd stand to benefit from increased investment in water infrastructure.

The surge in data centre developments has also contributed to Malaysia's power grid reaching new peaks. BIMB Research attributed this rise partly to data centre growth.

"We believe data centres have been a significant factor in the Peninsular grid system reaching a new peak demand of 20,066 megawatt (MW) in July 2024, surpassing the initial forecast of 19,365MW for 2025 and nearing the 20,755MW projection for 2030," it noted.

The research house maintained a "buy" call on Tenaga Nasional Bhd, with a target price of RM17.84, citing "impressive strides in its renewable energy journey" and anticipated reforms in the power sector.

Healthcare is another sector poised for growth, driven by the expanding adoption of telemedicine and digital healthcare solutions.

BIMB Research maintained its "overweight" stance on the sector, favouring IHH Healthcare Bhd, with a target price of RM8.60, for its growth potential amid increasing hospital activities and improved healthcare digitalisation.

"Our 'buy' recommendation for IHH remains intact, driven by expectations of strong performance from increased hospital activities," the research house added.

Overall, Malaysia's economic transformation progresses, these sectors would offer diverse opportunities for investors to capitalise on the nation's growth trajectory.