



25 SEP, 2023

Construction, solar companies seen as key beneficiaries of Budget 2024

The Edge, Malaysia



Construction, solar companies seen as key beneficiaries of Budget 2024

Construction and solar companies are expected to be the main beneficiaries of Budget 2024, according to analysts who are looking forward to more details on the execution of the recently unveiled New Industrial Master Plan 2030 (NIMP) and National Energy Transition Roadmap (NETR).

The NIMP requires an estimated total investment of RM95 billion in the seven years to 2030, while the total committed investments for Phase 1 of the NETR stood at RM25 billion.

Since the retabling of Budget 2023 in February, the FBM KLCI had declined by 0.5% to close at 1,450.23 points last Friday. The impact from the upcoming Budget 2024 could be muted considering that the broader market has had quite a good run since the start of the third quarter.

"The market has already done quite well, such as the construction and property sectors. I'm not sure how much better they can do even with the announcement of elevated development expenditure. We're not sure if there will be a big boost to the market," the head of a local research house tells The Edge.

A look at the past six federal budgets shows that the FBM KLCI mostly inched up higher a month after the tabling of the budget, but was generally down a month before the budget announcement on the back of market uncertainty.

Budget 2022 introduced the one-off prosperity tax, which took local corporates by surprise and resulted in the FBM KLCI falling 2% and 3.3% a week and a month respectively after the budget was tabled.

The research house head points out that investors are keeping a close eye on how the government plans to generate more income given the challenging external demand con-

How the FBM KLCI has fared pre- and post-budget				
DATE	PRE-BUDGET		POST-BUDGET	
	ONE WEEK (%)	ONE MONTH (%)	ONE WEEK (%)	ONE MONTH (%)
Feb 24, 2023*	-1.4	-2.8	-0.2	-3.9
Oct 7, 2022	0.8	-5.7	-1.7	2.6
Oct 29, 2021	-1.6	0.9	-2.0	-3.3
Nov 6, 2020	3.6	0.7	4.6	6.7
Oct 11, 2019	-0.1	-2.8	0.9	3.3
Nov 2, 2018	1.8	-4.7	-0.3	0.1

Note: *Retabling of Budget 2023

SOURCE: BLOOMBERG

ditions, which have weighed on Malaysia's export performance. To achieve the targeted economic expansion of 5% to 6% during the 12th Malaysia Plan (12MP) period, from 2021 to 2025, attracting more investments and creating a more business-friendly environment are crucial, he adds.

He is of the view that the government has to reintroduce the Goods and Services Tax (GST) in the near term if it is committed to addressing the country's persistent fiscal constraints. "It doesn't have to impose a high tax in the beginning. It could probably start with a lower rate before increasing it over the years," he suggests.

Victor Wan, head of research at Inter-Pacific Securities, is hopeful of more good news following Prime Minister Datuk Seri Anwar Ibrahim's second visit to China recently. "We believe Budget 2024 will be very much in the same vein, which is the reiteration of the mid-term review of the 12th Malaysia Plan."

For MIDF Amanah Investment Bank Bhd research head Imran Yassin Yusof, external factors seem to have more influence on the

local stock market.

"Based on previous budgets, the stock market did not react much. One of the reasons was that there was nothing new. If there are no negative measures in the upcoming budget, or even with a positive impact on earnings, then we can expect the market to remain muted," he observes.

That said, Imran expects construction counters to see a boost if there are more announcements of construction projects, particularly as the sector will be driven by the forecast RM90 billion allocation for development expenditure in 2024, even though it is lower than the estimated development expenditure of RM97 billion in 2023, according to the mid-term review of the 12MP. He stresses that foreigners are keen to see how the government plans to improve its finances as they want clarity on how the fiscal deficit will be reduced.

Apart from the construction and renewable energy sectors, the building materials industry will continue to attract market interest, says Malacca Securities Sdn Bhd

head of research Loui Low. Nevertheless, he cautions that amid the share price run of construction and property stocks, some mega projects may need time to materialise.

Low observes that the NIMP and NETR have been quite well received by foreign investors, which could help maintain the market momentum.

"These blueprints have set a very good tone. I hope that impact can sustain even if the budget is not so significant right now," he says, adding that renewable energy will continue to be a key focus area as Malaysia aims to reach 70% renewables in its power mix by 2050 from the 40% currently.

TA Securities believes that Budget 2024 will likely be a non-event for the gaming sector.

"We believe the situation is different this time around for the unity government to consider another post-election tax hike as the gaming sector suffered badly during the Covid-19 period and is in the midst of recovering. [Any] increase would be considered inappropriate, which would derail the earnings recovery process," the research house says in a Sept 20 note.

Previously, the Pakatan Harapan-led government raised casino duties to 35% and reduced the number of four-digit special draws by 50% under Budget 2019 following the 14th general election in 2018.

For the plantation sector, it remains to be seen if the government will make any announcement on the windfall profit levy, which is currently under review. The Royal Malaysian Customs Department's website shows that the levy is being charged at a rate of 3% on palm oil prices above RM3,000 a tonne in Peninsular Malaysia and at a rate of 3% on palm oil prices above RM3,500 a tonne in Sabah and Sarawak.