

## Budget 2024

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### Another Expansionary Budget with the MADANI Approach

- Another expansionary budget at RM393.8bn focusing mainly to reduce the living costs of Rakyat. The development expenditure was reduced to RM90.0bn.
- Except for the increase of SST to 8% from 6%, the other measures were somewhat within the expectations.
- Targeted subsidies will be introduced for electricity and diesel in stages, while the government will remove the subsidy of eggs and chicken to allow floating prices.
- Some winners will include poultry, tobacco, breweries, technology, EVs, solar, construction, property and building materials. On the flipside, high value goods and sugary drink segments could impact by the introduction of sugar tax and luxury goods tax.

FBMKLCI	1444.14
Support	1450-1460
Resistance	1410-1420

### Budget 2024 key highlights

• Largest budget in history at RM393.8bn
• 2024 Development Expenditure at RM90.0bn vs. RM97.0bn in 2023
• Forecasted 2024 GDP growth at 4.0-5.0% (fiscal deficit at 4.3%)
• MoE being allocated RM58.7bn (vs. RM55.6bn in 2023)
• MoH being allocated RM41.2bn (vs. RM36.1bn in 2023)
• MinDef will be allocated RM19.7bn (vs. RM17.4bn in 2023)
• Targeted subsidy by stages (chicken and eggs, electric and diesel)
• SST up to 8%, Luxury Tax 5-10%, Capital Gain Tax 10%, and Sugar Tax
• RM10bn on STR cash aid
• RM2bn on Fund to Facilitate National Energy Transition
• RM1.5bn to encourage startups into High Growth and High Value fields

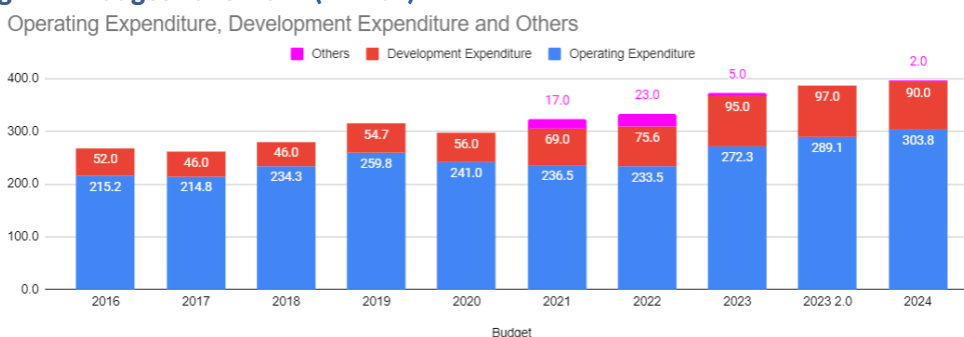
### M+ Online stocks coverage

Stock	Rating	Target
ASIAFLE	BUY	RM2.60
MSC	HOLD	RM2.20
NOVA	HOLD	RM0.73
OMH	BUY	RM1.92
OSK	BUY	RM1.41
REXIT	BUY	RM0.93
SCOMNET	BUY	RM1.90
UOAREIT	HOLD	RM1.20

### Summary

- **Another Budget MADANI.** As a continuation of the MADANI Economy framework, the Budget 2024 continues to expand at RM393.8bn, with RM303.8bn allocated for operating expenditure, while RM90bn is allocated for development expenditure (vs. RM97bn in 2023). Meanwhile, the government is expected to reduce the fiscal deficit to 4.3% in 2024 as compared to 5.0% in 2023 and grow the GDP at a rate of 4-5%.

**Fig #1 Budget 2016-2024 (RM' bn)**



Source: MOF

- **Tourism activities to lead the services sector.** For 1H2023, the services sector rose 6%, contributed by the wholesale and retail trade, transportation and storage and F&B and accommodation subsectors. We believe the travel related subsector to gain momentum in the second half following higher tourist arrivals and improved consumer spending. Meanwhile, we noticed the Construction sector will continue to chart strong growth for 2023-2024 at 6.3-6.8% respectively.

**Fig #2 GDP by Sector, 2022 – 2024**

	SHARE (%)	CHANGE (%)		
	2023 <sup>1</sup>	2022	2023 <sup>1</sup>	2024 <sup>2</sup>
Services	59.3	10.9	5.5	5.6
Manufacturing	23.5	8.1	1.4	4.2
Agriculture	6.3	0.1	0.6	1.2
Mining	6.1	2.6	-0.8	2.7
Construction	3.6	5.0	6.3	6.8
<b>GDP</b>	<b>100.0</b>	<b>8.7</b>	<b>~4.0<sup>3</sup></b>	<b>4.0 - 5.0</b>

<sup>1</sup> Estimate

<sup>2</sup> Forecast

<sup>3</sup> Approximate

Note: Total may not add up due to rounding and exclusion of import duties component

Source: Department of Statistics and Ministry of Finance, Malaysia

Source: MOF Economic Outlook 2024

## M+ Online view

- **Neutral to a more positive budget.** Except for the increase in SST from 6% to 8%, there were no major surprises in the Budget 2024. As usual, the budget will be providing support towards lower income groups, cash aids in the form of Sumbangan Tunai Rahmah to RM10bn from RM8bn in 2023 to cater for larger scope of population.
- **More taxes within expectation.** The SST could be expanding its scope towards logistics, brokerage, underwriting and karaoke services. Throughout the year, the government has been setting up the tone on the **Luxury Tax (5-10%) and Capital Gain Tax (10% on unlisted shares)**. Besides, the **Sugar Tax** has increased from 40 sen/litre to 50 sen/litre.
- **Subsidies rationalisation programme.** Also within the expectation, the targeted subsidies were noticed within the poultry sector, removing the subsidy for eggs and chicken to allow floating prices. Meanwhile, the electricity and diesel subsidies will rationalise in stages.
- **Winners.** Allowing floating prices for eggs and chicken, coupled with the clamping down of illicit cigarettes and liquor products will be benefitting the poultry, tobacco and breweries sectors, while other beneficiaries include the technology, EVs, solar, construction, property and building material sectors.
- **Losers.** On the flip side, government plans to implement a global minimum tax for companies with global revenue of at least €750m (RM3.74bn) in 2025 could be a barrier for global companies to invest in Malaysia. Other than that, high value goods and sugary drinks may be negatively impacted under this scenario.
- **The FBMKLCI and broader market may anticipate some profit taking activities.** We believe the market may have already factored in positive catalysts over the past 2 weeks and the investors take profit next week. We expect the local catalysts such as the NETR and NIMP blueprints to provide upside potential going forward.

## Sectorial and policies analysis

Construction	M+ Online view
<ul style="list-style-type: none"> <li>• <b>Development expenditure at RM90bn</b> vs. RM97bn in Budget 2023. This represents 22.8% of the RM393.8bn allocation in Budget 2024.</li> <li>• <b>Both Sabah and Sarawak will be allocated total of RM12.4bn</b> (up from RM12.1bn under Budget 2023).</li> <li>• Total of <b>RM11.8bn will be channelled to 33 Priority Flood Mitigation Projects</b> until 2030.</li> <li>• Tender package of <b>RM15.7bn for Pan Borneo Sabah Project</b>, while <b>RM7.4bn for Phase 2 of Sarawak-Sabah Link Road (SSLR)</b>.</li> <li>• <b>RM10bn for the Penang-Seberang Perai LRT</b> via a PPP approach, and <b>RM4.7bn in reviving 5 LRT3 stations</b>, namely Tropicana, Raja Muda, Temasya, Bukit Raja and Bandar Botanik.</li> <li>• <b>RM2.8bn is allocated for maintenance on federal roads and bridges</b>, while <b>RM1.63bn for construction and upgrading of roads in villages and rural areas</b>.</li> <li>• <b>26 new schools and upgrade of school with a cost of RM2.6bn and RM1.9bn will be allocated</b>, respectively.</li> <li>• <b>RM1.1bn will be allocated to resolve water supply issues in Kelantan, Sabah and Labuan</b>.</li> <li>• <b>RM931m for PLUS expansion project</b>.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Positive on the construction and building material segment</b> given the (i) resumption of selected LRT stations, (ii) tender package for RM15.7bn Pan Borneo Sabah project will be completed by this year (iii) RM7.4bn will be allocated for SSLR.</li> <li>• <b>We favour the full scale turnkey contractors</b> such as GAMUDA, IJM, and SUNCON, leveraging on their track record.</li> <li>• <b>For East Malaysia</b>, we believe it might benefit contractors such as HSL, NAIM, TRC and WCT.</li> <li>• <b>On water and flood related projects</b>, this may benefit JAKS, PUNCAK, KPS, TALIWRK and HSSEB, while water-related component players like ENGTEX and SALCON.</li> <li>• <b>For building material players</b>, we like YTL, CMSB, OKA, HUMEIND and MCMEN and.</li> </ul>
Healthcare	M+ Online view
<ul style="list-style-type: none"> <li>• <b>Allocation of RM41.2bn to MoH</b>, covering RM5.5bn allocation for procurement of medicines, consumables, reagents and vaccines, while RM766m is allocated for procurement of medical equipment.</li> <li>• More than RM1.1bn for new developments projects for hospitals and new health clinics.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Positive on the healthcare sector</b>, with higher allocation to MoH.</li> <li>• <b>Pharmaceutical:</b> KOTRA, AHEALTH, PHARMA, and DPHARMA to benefit.</li> <li>• <b>Medical equipment:</b> UMC and SCOMNET. Other stocks to watch include HARTA, OPTIMAX, NOVA.</li> </ul>
Consumer	M+ Online view
<ul style="list-style-type: none"> <li>• <b>RM58.1bn to be provided to finance various forms of Government assistance to the Rakyat</b>.</li> <li>• <b>Sumbangan Tunai Rahmah is raised to RM10bn (from RM8bn)</b>.</li> <li>• <b>SST increased to 8%</b> and to be expanded to logistics, brokerages, underwriting and karaoke services, while the increase will not cover F&amp;B and telco.</li> <li>• <b>Luxury tax of 5-10% to be imposed</b>, exempted for foreign tourist.</li> <li>• <b>Sugar tax increased from 40 sen to 50 sen/litre</b>.</li> <li>• <b>Removal of ceiling prices on chicken and eggs</b>.</li> <li>• <b>Targeted subsidies on diesel and electricity to be implemented</b>.</li> <li>• <b>RM2k for civil servants grade 56 and below, RM1k to all Jawatan Utama Sektor Awam</b>.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Positive on the consumer sector</b> amid the economic recovery following the reopening of travel borders by Malaysia and China.</li> <li>• <b>Poultry sector may get a boost from the removal of price ceiling;</b> TEOSENG, LHI, PWF, and CCK to benefit.</li> <li>• <b>Cash aid of RM10bn may pump into the economy</b>, which will benefit the consumer sector.</li> <li>• <b>Other consumer beneficiaries</b> include MRDIY, BJFOOD and QL and FFB.</li> </ul>
Automotive	M+ Online view
<ul style="list-style-type: none"> <li>• Government will start using <b>EV as official cars</b>.</li> <li>• <b>Extension of 4 years for tax relief of up to RM2.5k</b> on expenses related to EVs</li> <li>• <b>Electric Motorcycle Usage Incentive Scheme to enjoy rebates up to RM2.4k</b>.</li> <li>• <b>Prasarana to acquire 150 electric buses and build three bus depots at a cost of RM600m</b>.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Positive on the automotive sector</b>. We believe the investment on the charging stations, coupled with the extension of tax relief will encourage more EVs usage.</li> <li>• <b>Automotive related</b> like BAUTO, MBMR, and DRBHCOM may gain attention.</li> </ul>
Tourism and Transportation & Logistics	M+ Online view
<ul style="list-style-type: none"> <li>• <b>Proposed development of a Port in Carey Island</b>.</li> <li>• <b>RM47m will be provided to improve passenger facilities at Tioman Airport terminals</b>.</li> <li>• Freight transport will continue to benefit from the subsidies diesel.</li> <li>• <b>Visit Malaysia Year has been reinstated to 2026</b>.</li> <li>• <b>RM350m for incentives, promotion, and marketing initiatives for the tourism sector</b>.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Mildly positive for the transportation &amp; logistics sector</b> and we like SYSCORP, MHB, SEALINK, and SWIFT.</li> <li>• <b>Neutral for aviation and tourism sectors</b>, as we believe the VMY 2026 is still 2-3 years away, and the target is 26.1m which is similar to 2019.</li> <li>• <b>Stocks that are related to tourism</b> include, CAPITALA, GENM, GENTING and AIRPORT.</li> </ul>

# Market Chat

Saturday, 14 Oct, 2023

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<p><b>Telecommunication</b></p> <ul style="list-style-type: none"> <li>• Digital Nasional Berhad to develop 5G network coverage to approx. 80% by end-2023.</li> <li>• <b>RM60m for 5G Cybersecurity Testing Framework</b> and Local Expertise in 5G technology to enhance preparedness against cyber threats.</li> </ul>	<p><b>M+ Online view</b></p> <ul style="list-style-type: none"> <li>• <b>Neutral on the telco sector</b>, as the 5G rollout is within expectations.</li> <li>• <b>5G-related players include</b> OCK, THETA, BINACOM, OPCOM and SCGBHD.</li> <li>• <b>Cybersecurity related:</b> LGMS, and INFOTEC.</li> </ul>
<p><b>Security and defence</b></p> <ul style="list-style-type: none"> <li>• The <b>Ministry of Defence and the Ministry of Home Affairs will be allocated RM19.7bn and RM19.0bn</b>, respectively.</li> </ul>	<p><b>M+ Online view</b></p> <ul style="list-style-type: none"> <li>• <b>Neutral on the security and defence sector</b>, while security and defence related stocks include DESTINI, DSONIC, and IRIS.</li> </ul>
<p><b>Property</b></p> <ul style="list-style-type: none"> <li>• <b>RM2.47bn is allocated to implement housing projects</b> for the Rakyat in 2024.</li> <li>• <b>RM1bn special guarantee fund to revive identified stalled projects.</b></li> <li>• <b>RM546m is allocated for continuing the implementation of 36 Program Perumahan Rakyat.</b></li> <li>• <b>RM10bn for Housing Credit Guarantee Scheme</b> to benefit 40k borrowers.</li> <li>• <b>4% flat rate stamp duty on the transfer of land ownership documents</b> by non-citizens and foreign-owned companies, except for individuals with permanent residency status in Malaysia.</li> <li>• <b>Ease the existing conditions for the application of Malaysia My Second Home (MM2H).</b></li> </ul>	<p><b>M+ Online view</b></p> <ul style="list-style-type: none"> <li>• <b>Slightly positive on the property sector</b> in view of the housing projects allocations, coupled with the easing of the MM2h application.</li> <li>• <b>Affordable and low cost housing related include</b> PRTASCO, LAGENDA, LBS, RADIUM and TELADAN.</li> </ul>
<p><b>Technology</b></p> <ul style="list-style-type: none"> <li>• <b>High tech industrial area will be developed in Kerian, Perak, focusing on the E&amp;E sector.</b></li> <li>• <b>RM6.8bn for TVET education.</b></li> <li>• <b>RM900m loan fund under BNM</b> is provided to increase business productivity through automation and digitisation.</li> <li>• <b>RM100m is provided for digitalisation grants</b>, while</li> <li>• <b>Government plans to provide a tiered reinvestment tax incentive in the form of investment tax allowance of either 70% or 100%.</b></li> <li>• <b>RM20m to be allocated to establish the first artificial intelligence study centre at UTM.</b></li> <li>• <b>RM510m is allocated for R&amp;D funding</b> under MoSTI and MoHE.</li> </ul>	<p><b>M+ Online view</b></p> <ul style="list-style-type: none"> <li>• <b>Positive on the technology sector</b> with another high tech industrial area to be developed in Kerian which may benefit local technology companies, complementing the E&amp;E and semiconductor ecosystem.</li> <li>• <b>Digitalisation grants are provided</b> could benefit VSTECS.</li> <li>• <b>We favour technology picks</b> such as KGB, ATECH, MI, PENTA, INARI, GTRONIC and UWC.</li> </ul>
<p><b>Green energy policies</b></p> <ul style="list-style-type: none"> <li>• The <b>Green Investment Tax Allowance (GITA) and Green Income Tax Exemption (GITE) are extended</b> until 31 December 2026.</li> <li>• <b>RM200bn financing from financial institutions to encourage industries to transition towards a low-carbon economy.</b></li> <li>• <b>RM170m by leading companies such as TNB, GENTARI and Tesla Malaysia to install 180 EV charging stations.</b></li> </ul>	<p><b>M+ Online view</b></p> <ul style="list-style-type: none"> <li>• <b>Positive for the solar segment</b> as green energy policies are extended.</li> <li>• <b>Stocks under this sector</b> include SLVEST, SAMAIKEN, YINSON, SUNVIEW, and PEKAT.</li> <li>• <b>Charging station-related</b> such as PESTECH, AMTEL may benefit.</li> </ul>

Source: MoF, M+ Online

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