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13th Malaysia Plan

Charting a sustainable growth path with fiscal discipline

- **The 13MP, themed "Reshaping Development," outlines a policy framework to advance the MADANI economic vision, with emphasis on inclusive growth, high-growth high-value (HGHV) industries, the digital and AI-driven economy, and social system reform.**
- **We see the fiscal deficit target of below 3% of GDP by 2030 as reasonable, but contingent on continued delivery of politically sensitive fiscal reforms.**
- **Development expenditure is set at RM430bn for 2026–2030, averaging RM86bn annually and matching 2025's allocation. This suggests a prudent approach to sustaining fiscal support while keeping spending in check.**
- **Real GDP is projected to expand by 4.5–5.5% p.a. in 2026–2030, broadly in line with the estimated 5.1% p.a. in 2021–2025. With external risks still elevated, private consumption is likely to remain the main growth driver.**
- **The 13MP was broadly constructive for the long term as it reaffirmed policy continuity in Malaysia's key growth pillars, including technology and energy transition.**
- **The primary surprise in 13MP, in our view, is Malaysia's intent to actively develop downstream rare earth elements value chains. This move is highly strategic as it secures access to critical raw materials essential for semiconductors, EVs, and RE technologies, thereby strengthening Malaysia's positioning as a regional advanced manufacturing hub.**
- **We are maintaining our 2025F year-end FBM KLCI target at 1,680, based on an assigned P/E multiple of 14.5x. Our top picks are SCGBHD (BUY, TP: RM2.14), UUE (BUY, TP: RM1.06), SLVEST (BUY, TP: RM2.61), and TENAGA (BUY, TP: RM16.04).**

Economic View

Sustainable growth amid fiscal constraint

We view the 13th Malaysia Plan (13MP), with the theme "Reshaping Development" as a balancing act between charting a sustainable growth trajectory and maintaining fiscal consolidation, especially as Malaysia navigates rising global economic and geopolitical headwinds. The Plan outlines a broad policy framework to advance the MADANI economic vision, with focus placed on promoting inclusive growth, moving towards high-growth, high-value (HGHV) industries, accelerating the digital and AI economy, revamping public service delivery and addressing cost-of living pressures. Fiscal consolidation and social system reforms are also on the cards.

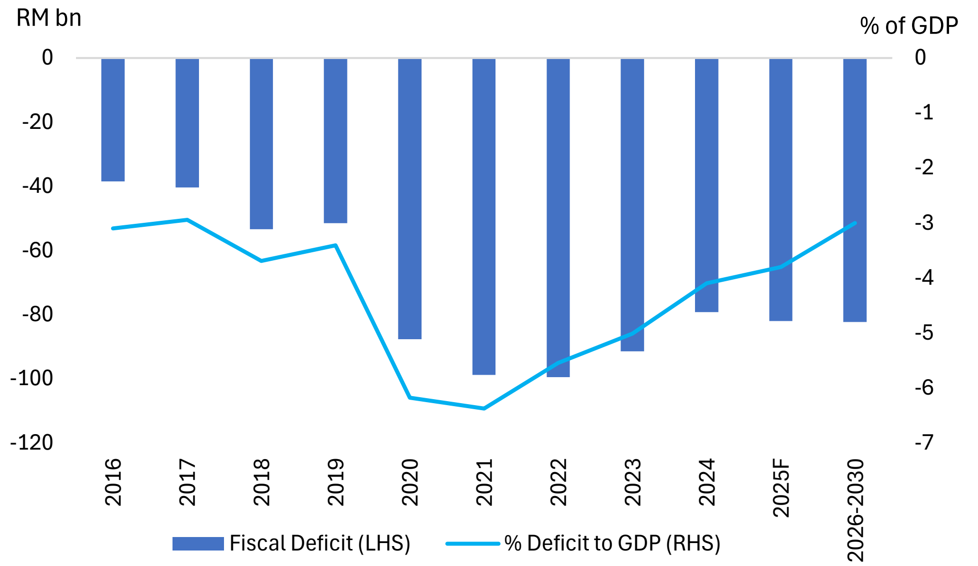
Fiscal targets are pragmatic and realistic in driving the economy

The 13MP sets a realistic and prudent fiscal path over the next five years, aiming to support medium-term growth while staying on track with the fiscal consolidation goal. This is critical considering the rising global trade uncertainties and domestic cost pressures.

The total development expenditure is set at RM430bn for 2026–2030, averaging RM86bn annually. This matches the Budget 2025 allocation and is modestly higher than the estimated RM402bn spent during the previous 12MP period. We see this as a prudent target in maintaining enough fiscal support while keeping the overall government spending in check. While no new large-scale infrastructure projects are announced, projects such as MRT3, ECRL, and the Pan Borneo Highway will likely to continue. Development spending will also shift to area such as integrated infrastructure (e.g., public housing with built-in schools and clinics) to maximise potential benefits.

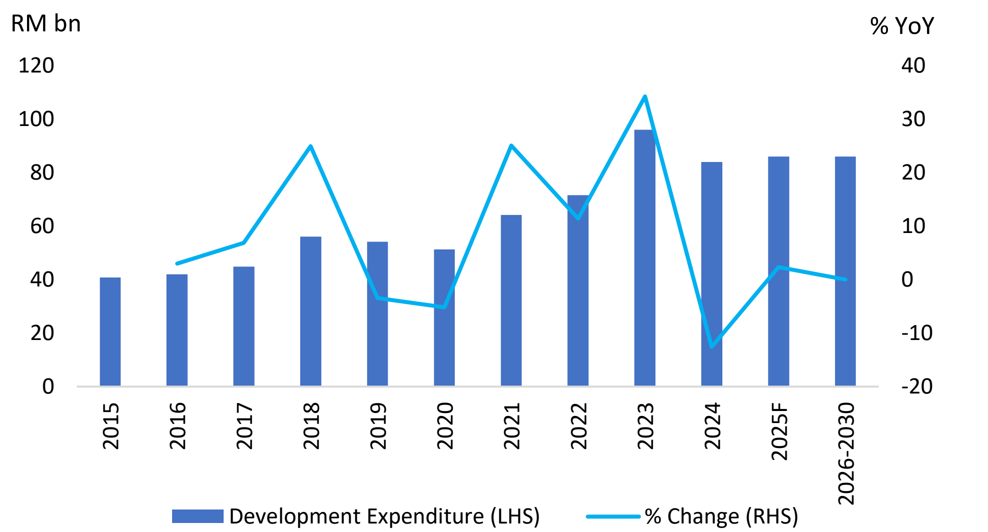
Overall, the government aims to narrow the fiscal deficit below 3% of GDP by 2030 (vs an estimated 3.8% in 2025). This implies an average reduction of around 0.2ppts per year. The consolidation trajectory looks reasonable, but contingent on continued delivery of politically sensitive fiscal reforms. While RON95 fuel subsidy rationalisation has been delayed to 4Q25, we anticipate more details on the mechanism to be announced in the upcoming Budget 2026, along with new taxes including the carbon tax. That said, Malaysia's next general election that likely to be held by 2027 could add uncertainties to implementation.

Figure 1: The government aims to reduce fiscal deficit below 3.0% by 2030



Source: Macrobond, Apex Securities

Figure 2: Development expenditure is expected to average RM86 bn in 2026-2030



Source: Macrobond, Apex Securities

Table 1: Government Fiscal Targets

RM bn	2021	2022	2023	2024	2025F*	13MP (2026-2030) Annual average target	13MP (2026-2030) Target
Revenue	233.8	294.4	315.0	324.6	339.7	364.1	1,820.6
Operating expenditure	231.5	292.7	311.3	321.5	335.0	361.7	1,808.3
Current balance	2.2	1.7	3.7	3.1	4.7	2.5	12.3
Gross development expenditure	64.3	71.6	96.1	84.0	86.0	86.0	430.0
COVID-19 fund	37.7	31.0	-	-	-	-	-
Overall Balance	-98.7	-99.5	-91.4	-79.2	-80.0	-82.3	-411.5
% Deficit to GDP	-6.4	-5.5	-5.0	-4.1	-3.8	-	< -3.0**

Source: 12MP, 13MP, Department of Statistics, Apex Securities
**Budget 2025 forecast*
***End-2030*

Domestic demand to drive growth; hopeful for external turnaround

Malaysia's real GDP is projected to grow by 4.5–5.5% p.a. in 2026–2030, broadly in line with the estimated 5.1% pace in 2021–2025. We expect growth to remain on the weaker side in 2026 as the economy experiences full fallout from global tariff tensions. However, momentum could gradually recover toward the official range, barring any renewed escalation in trade that could drag on investment and consumer spending.

Global trade is expected to stay sluggish, weighing on exports and imports over the 2026-2030 period. With public expenditure also moderating, private consumption will likely remain the key growth driver. Private consumption is projected to expand at a solid 5.5% p.a., underpinned by stable employment, targeted assistance and ongoing cost relief measures. Public investment is expected to grow at a more measured pace of 3.6% p.a., but still supported by steady development spending. The 13MP outlines priority areas such as digital infrastructure, energy transition, and transport connectivity projects. In addition, the government' s effort to bring in private investment will further strengthen investment in "high-growth, high-value" sectors, including advanced E&E, aerospace, pharmaceuticals and the broader digital economy.

On the supply side, services and manufacturing will continue to anchor GDP growth. The services sector is projected to grow 5.2% p.a., while the manufacturing sector is expected to expand by 5.8% p.a., supported by a strategic push into higher value-added areas including automation, smart manufacturing and AI adoption. We view the government's push to move up the value chain as a positive step toward enhancing manufacturing competitiveness, especially amid ongoing geopolitical tensions and shifts in global supply chains.

Table 2: General Indicator Targets

	12MP (2021-2025)	13MP (2026-2030)
GDP (% YoY)	4.5-5.5%	4.5-5.5%
GNI per capita	RM57,882	RM77,200
Average household income	10065	12000
Current account (% of GNI)	2.2%	2.2%
Gross exports	5.0%	5.8%
Gross imports	5.9%	6.1%
Fiscal deficit (% of GDP)	3.0-3.5%	<3.0%
Total development expenditure	RM400 bn	RM430 bn
Inflation (% YoY)	2.7%	2.0-3.0%

Source: 12MP, 13MP, Apex Securities

Table 3: Real GDP Growth Targets

% YoY	12MP (2021-2025)		13MP (2026-2030)
	Initial target	Actual outcome*	Target
Expenditure			
Private consumption (% p.a.)	5.8%	5.5%	5.5%
Private investment (% p.a.)	3.8%	6.5%	6.0%
Public consumption (% p.a.)	3.7%	4.9%	4.1%
Public investment (% p.a.)	2.6%	3.8%	3.6%
Exports	5.8%	6.9%	4.1%
Imports	6.1%	8.1%	4.3%
Sectors			
Services (% p.a.)	5.2%	5.8%	5.2%
Manufacturing (% p.a.)	5.7%	5.1%	5.8%
Agriculture (% p.a.)	3.8%	1.2%	1.5%
Mining (% p.a.)	2.6%	1.1%	2.8%
Construction (% p.a.)	4.2%	6.5%	5.0%
Real GDP (% p.a.)	4.5-5.5%	5.1%	4.5-5.5%

Source: 12MP, 13MP, Apex Securities
**Ministry of Economy forecasts were used for 2025 data*

Market Strategy

The 13MP (2026-2030) sets a clear, long-term development roadmap anchored on three core pillars:

1. **Raising the Ceiling**: Accelerating high-growth sectors, AI-driven innovation, and enhancing Malaysia's global economic competitiveness.
2. **Raising the Floor**: Easing cost-of-living pressures, expanding social protection, ensuring inclusive development, and bridging rural-urban gaps, especially in Sabah and Sarawak.
3. **Strengthening Governance**: Improving efficiency, integrity, and public trust through stronger institutional frameworks and digitalisation in public service delivery.

Positive but Little Surprises

The 13th Malaysia Plan (13MP) was **broadly constructive** for the long term as it reaffirmed policy continuity in Malaysia's key growth pillars. While there were few major surprises, the plan provides clarity and visibility for sectors aligned with the government's strategic priorities. Key implications are as follows:

1. **Technology.** Malaysia's ambition to move further up the value chain in the global semiconductor and electronics supply chains remains firmly intact. The 13MP places stronger emphasis on AI-led innovation, advanced packaging capabilities, and higher-value R&D activities, aimed at positioning Malaysia as a key hub for next-generation technologies. These initiatives, coupled with ongoing investments in digital infrastructure (5G, data centres, and cloud ecosystems), are expected to deepen Malaysia's competitive advantage and attract sustained capital inflows into the technology sector over the medium to long term.
2. **Energy Transition.** The 13MP provides a clear reaffirmation of the net zero commitment, with accelerated renewable energy (RE) targets and a heightened focus on grid modernisation and battery energy storage systems (BESS) deployment to unlock higher RE penetration. Latest target is to raise installed RE capacity to 35% by 2030 from 29% currently. Broader policy levers, including green financing frameworks, carbon pricing, and cross-border electricity trade initiatives, will catalyse growth and investment flows into RE and grid upgrades.
3. **Sabah and Sarawak.** The plan steps up efforts to narrow the infrastructure and socio-economic gap with Peninsular Malaysia. Priority projects include the Pan Borneo Highway, Trans Borneo Highway, rural electrification and water supply programmes, and digital connectivity expansion to bridge the rural-urban divide. Importantly, both states are also being positioned as national sustainable energy hubs, with initiatives such as the Sarawak Hydrogen Hub and measures to strengthen energy supply security in Sabah.
4. **Foreign Labour.** 13MP sets a clear direction to progressive reduce dependence on low-skilled foreign labour, especially in labour-intensive industries such as EMS, rubber gloves, plantations, and construction. The target is to lower the share of foreign workers in the workforce from 15% currently to 10% by 2030, primarily through acceleration of automation and mechanisation initiatives to enhance productivity. The multi-tier foreign worker levy remains in place, but its implementation has been deferred to 2026, providing industries more time to adapt.
5. **Reducing Living Costs.** The government will continue its emphasis on targeted subsidies and cash transfers to cushion vulnerable groups from rising costs. Parallel efforts to expand affordable housing programmes and urban public transport are expected to further alleviate cost-of-living burdens. Targeted subsidies and cash transfers will also lift disposable income among lower-income households, which have a high marginal propensity to consume, translating into a stronger multiplier effect on private consumption.
6. **Rare Earth Elements.** The primary surprise in 13MP, in our view, is Malaysia's intent to actively develop downstream rare earth elements (REE) value chains. Key initiatives include forming strategic partnerships with global players to attract capital, technology, and expertise into REE processing and separation. This move is highly

strategic as it secures access to critical raw materials essential for semiconductors, EVs, and RE technologies, thereby strengthening Malaysia's positioning as a regional advanced manufacturing hub.

Maintain KLCI Target Unchanged

We are maintaining our **2025F year-end FBM KLCI target at 1,680**, based on an assigned P/E multiple of 14.5x. We continue to see an upside bias as further policy visibility and trade clarity materialise, which could act as catalysts to bolster market sentiment and drive renewed foreign inflows into Malaysian equities.

Sector Recommendation

Out of the many sectors under our coverage, our preferred picks are in the **Power Infrastructure**, **Renewable Energy**, and **Power & Utilities** sectors, which we believe are poised for structural, multi-year growth. These sectors stand out due to multiple long-term drivers, including growing electricity demand underpinned by the rapid expansion of data centres, AI workloads, and broader electrification trends across industries. The necessity for grid upgrades and modernisation, particularly to accommodate higher RE integration and enhance system reliability, further supports sustained investment. In addition, these sectors benefit from strong energy transition tailwinds driven by government targets of achieving 70% installed RE capacity by 2050, the implementation of the carbon tax framework, and broader ESG mandates, which are expected to channel consistent policy and investment support. Their domestically focused nature also makes them relatively insulated from external trade headwinds, including potential US tariff risks.

Stock Picks

Our top picks are **SCGBHD (BUY, TP: RM2.14)**, Malaysia's leading cable manufacturer and a key beneficiary of large-scale grid modernisation and infrastructure roll-outs; **UUE (BUY, TP: RM1.06)**, a leading underground utilities solution provider specialised in horizontal directional drilling (HDD) with strong established track record; **SLVEST (BUY, TP: RM2.61)**, one of the largest solar EPCC players in Malaysia that offers direct exposure to the RE upcycle, particularly in solar and BESS; and **TENAGA (BUY, TP: RM16.04)**, the structural beneficiary of energy transition mandates and grid expansion, with earnings visibility underpinned by the regulated asset base (RAB) framework.

Key Risks. Policy risks, execution risks, slower-than-expected data centre build-outs or electricity demand growth.

Table 4: Sectors and 13MP Impact

Sector	13MP Impact	13MP Initiatives	Sector Recommendation
Automotive	Neutral	No new measures or direct incentives for the sector were announced.	Maintain **Neutral**. Sales is expected to remain subdued due to normalisation of sales growth as the industry completes deliveries of order backlogs placed during the SST exemption.
Construction	Mildly Positive	Development expenditure (DE) for 13MP (2026-2030) is projected at RM430bn, slightly above 12MP's RM415bn (2021 to 2025). Additional funding: RM120bn (GLICs) + RM61bn (private sector). No new major project announced. Key projects include the Penang Mutiara LRT Line, Pan Borneo & Trans Borneo Highways, and Elevated Autonomous Rapid Transit (E-ART) Johor Bahru.	Maintain **Overweight**. Multi-year earnings visibility is supported by mega-project pipeline and sizeable allocations to social infrastructure (education, healthcare, housing). Key

		Major construction allocations: RM67bn (schools and education facilities), RM40bn (hospitals and healthcare facilities), RM20bn (103 flood mitigation projects), and 1m affordable homes (2026-2035). Continuation of non-revenue water (NRW) reduction and treated water sustainability initiatives, under the Water Sector Transformation 2040 (AIR2040) plan launched in Oct 2024. Multi-tier levy for foreign workers deferred to 2026.	beneficiaries include **GAMUDA (NR)**, **SUNCON (NR)** and **IJM (NR)**. Deferral of multi-tier foreign worker levy to 2026 eases near-term margin pressures. Top pick: **KERJAYA (BUY, TP: RM2.50)**
Consumer	Positive	Consumer sector initiatives under the 13MP are focused on easing cost-of-living pressures and improving accessibility. Key measures include the Rahmah programmes such as the Sumbangan Tunai Ramah (STR), Sumbangan Asas Ramah (SARA), and Payung Rahmah initiatives (Rahmah Sales, Menu and Café Rahmah, and Rahmah Basket) to ensure affordable essential goods and services. Government will expand monthly travel passes and special travel passes for students, senior citizens and persons with disabilities (PWD), as well as subsidised air travel for students.	Maintain **Neutral**. Measures to ease cost-of-living pressures should lift disposable income of consumers. That said, the sector outlook remains constrained by the broader global economic slowdown.
Logistics	Mildly Positive	Logistics efficiency is a strategic priority under 13MP, which targets a Top 15 ranking in the World Bank Logistics Performance Index by 2030 (from 26th in 2022) through end-to-end supply chain optimisation, terminal upgrades (seaports and airports), and integrated fulfilment centres. Notable projects include Westports 2 expansion and a third terminal at Pulau Carey to support growing maritime trade volumes.	Maintain **Neutral**. Sector outlook remains challenged by US tariffs and a slowdown in global trade and economic activity.
Oil & Gas	Mildly Positive	Carbon trading will be facilitated through the implementation of the National Carbon Market Policy, the Emissions Trading Scheme, and incentives for carbon credit projects, enabling monetisation of CCUS. CCUS projects will be integrated into the Green Investment and Financing Taxonomy, enabling better access to green capital. A pilot carbon capture project in the iron and steel industry will be launched in Kemaman, Terengganu. Broader support to the shipbuilding and ship repair (SBSR) industry through capacity expansion and bunkering facility upgrades at ports.	Maintain **Neutral**. Carbon trading initiatives enable monetisation of CCUS, potentially benefiting **MISC (NR)** and **PETGAS (HOLD, TP: RM17.80)** through CO_2 shipping and transport. Expansion of the SBSR industry benefits **SYGROUP (NR)** and **COASTAL (NR)**. However, the broader sector outlook remains challenging given the persistent supply glut from subdued demand and the unwinding of OPEC+ voluntary cuts.
Plantation	Mildly Positive	The focus remains on assisting smallholders in securing sustainability certification and enhancing productivity and income, in line with efforts to boost sector competitiveness. 13MP plans to drive circular economy through utilisation of agricultural waste. Upgrade biodiesel blending depots in Sandakan, Lahad Datu, and Bintulu to accelerate adoption of low-carbon fuels. Multi-tier levy for foreign workers deferred to 2026.	Maintain **Neutral** as we expect CPO prices to soften near term given elevated inventories. Initiatives to utilise agricultural waste create monetisation opportunities, while upgrades to biodiesel blending facilities benefit integrated players

			despite B30 mandate deferred to 2030. Deferral of multi-tier foreign worker levy to 2026 eases near-term margin pressure.
Power & Utilities	Positive	Promote Waste-to-Energy (WTE) plants to reduce landfill reliance and drive circular economy. Nationwide deployment of battery energy storage systems (BESS) and smart grid upgrades to boost RE penetration. Commitment to connecting the electricity grids between Peninsular Malaysia and Sarawak, aligning with Sarawak's aspiration to be a hydropower-based RE hub. Expand cross-border electricity trade to Singapore and other ASEAN markets through the ASEAN Power Grid (APG) framework. Scale up hybrid floating solar-hydro projects and green hydrogen hubs in Kenyir, Hulu Terengganu. Plan to integrate nuclear energy by 2031 as part of long-term energy mix. Build the third regasification terminal in Lumut, Perak to secure gas supply during energy transition.	Maintain **Overweight**. **MALAKOF (BUY, TP: RM0.88), CYPARK (NR)** could be the beneficiaries of new WTE plants in the future. Meanwhile, the Peninsular Malaysia-Sarawak interconnection strengthens APG and supports cross-border exports to Singapore, creating upside for **TENAGA** through wheeling charges. The third regasification terminal in Lumut will likely be developed by **PETGAS (HOLD, TP: RM17.80).** Top pick: **TENAGA (BUY, TP: RM16.04).**
Power Ancillary	Positive	13MP mandates the roll-out of National AI Action Plan 2030, overseen by a newly established AI Office tasked with steering national adoption and anchoring the country's transition toward an "AI-driven nation." The Plan commits to "building strategic digital assets such as AI, data analytics and government digital systems," signalling dedicated infrastructure spend namely hyperscale data-centre campuses, cloud regions and secure compute nodes needed to host big-data workloads and generative-AI models. AI literacy is to be embedded from the primary-school level, with expanded tertiary and vocational curricula and scholarship quotas tied to data-centre operations and AI safety engineering, which aligns talent supply with the growing compute economy.	Maintain **Overweight**. Malaysia's ongoing digitalisation and the growing electricity demand from data centre expansion are expected to drive sustained activity across the power infrastructure segment, particularly in grid and connectivity-related works. Top pick: **SCGBHD (BUY, TP: RM2.14)** and **UUE (BUY, TP: RM1.06)**.
Property	Negative	Enhance home ownership through the development of 1m affordable homes between 2026 to 2035, Rent-to-Own (RTO) schemes and accelerated adoption of Industrialised Building System (IBS) technology to improve construction efficiency and quality. The 1m affordable homes target by 2035 could benefit developers partnering with public agencies via improved land access and project visibility. However, oversupply risks and pricing controls may pressure market prices and compress margins.	Maintain **Overweight**. We expect property sales to recover in the medium term after the temporary dip in 1Q2025, underpinned by resilient demand across the affordable, mid-high and premium segments.
Renewable Energy	Positive	13MP aims to increase installed RE capacity mix from 29% currently to 35% by 2030, in line with the NETR. Promote the Community Renewable Energy Aggregation Mechanism (CREAM) to open up the grid for community, residential and rural solar generation.	Maintain **Overweight**. 13MP provides policy clarity and project visibility for the RE sector, with ambitious targets to raise the installed capacity

		Nationwide deployment of battery energy storage systems (BESS) and smart grid upgrades to increase RE penetration. Commitment to connecting the electricity grids between Peninsular Malaysia and Sarawak, aligning with Sarawak's aspiration to be a hydropower-based RE hub. Expand cross-border electricity trade to Singapore and other ASEAN markets through the ASEAN Power Grid framework. Scale up hybrid floating solar-hydro projects and green hydrogen hubs in Kenyir, Hulu Terengganu. Establish national sustainable energy hubs in Sabah and Sarawak, with Sarawak positioned as a hydrogen hub.	mix from 29% to 35% by 2030. Export opportunities to Singapore and ASEAN via the ASEAN Power Grid, coupled with cross-border grid links and flagship projects underpin earnings visibility for RE asset developers and EPCC players. Top pick: **SLVEST (BUY, TP: RM2.61).**
Rubber Products	Neutral	Multi-tier levy for foreign workers deferred to 2026. Mechanisation and automation to reduce foreign labour dependency.	Maintain **Neutral.** Deferral of multi-tier foreign worker levy to 2026 eases near-term margin pressure. That said, outlook is challenging amid persistent supply glut and narrowing of US tariff differential between Malaysia and China, which limits competitive advantage.
Technology	Positive	Malaysia aims to almost double electrical and electronic product exports to RM1tn by 2030 (from RM600bn in 2024) through measures to increase the production of high-value, high-technology products. These initiatives signal a strong policy push to advance technology development and scale up the entire semiconductor value chain, positioning Malaysia as a regional hub for high-value manufacturing and design, while attracting increased FDI. A likely overlooked initiative for the sector is the development of the rare earth elements (REE) industry through domestic capacity expansion in mining, refining, and separation, supported by talent development, infrastructure upgrades, comprehensive incentives, and resource mapping.	Maintain **Overweight**. While these initiatives are widely anticipated, the market now awaits further implementation details. REE industry development will secure critical raw materials for semiconductors, EVs and RE technologies, strengthening Malaysia's advanced manufacturing hub status. While trade uncertainty remains an overhang, greater policy clarity would be a strong re-rating catalyst. Top pick: **FRONTKN (BUY, TP: RM4.42)**.
Telecommunication	Positive	Tower builders and fibre-optic contractors stand to be the biggest beneficiaries from the continued rollout of JENDELA, MyDIGITAL, and the National Digital Economy Action Plan. Government efforts to enhance broadband quality and extend coverage to rural areas, are expected to drive new tenders and infrastructure demand in the sector.	Maintain **Neutral.** The announcement of Jendela Phase 2 could serve as a key catalyst for a sector re-rating.

Source: 13MP, Apex Securities

Recommendation Framework:
BUY: Total returns* are expected to exceed 10% within the next 12 months.
HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.
SELL: Total returns* are expected to be below -10% within the next 12 months.
TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.
TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.
*Capital gain + dividend yield

Sector Recommendations:
OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.
NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:
★★★★★ : Appraised with 3% premium to fundamental fair value
★★★★ : Appraised with 1% premium to fundamental fair value
★★★ : Appraised with 0% premium/discount to fundamental fair value
★★ : Appraised with -1% discount to fundamental fair value
★ : Appraised with -5% discount to fundamental fair value

As of **Friday, 01 Aug, 2025**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:
(a) nil.