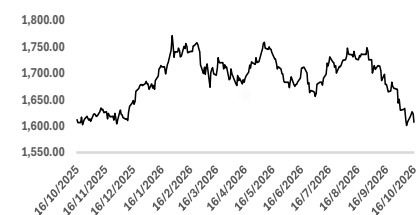


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FBM KLCI Index



Economic at a glance

2025 GDP Growth	+5.2%
2026 GDP Growth Forecast:	+5.0%
2027 GDP Growth Forecast:	+4.5%
2025 Unemployment Rate	3.0%
2026 Unemployment Rate Forecast:	3.0%
2027 Unemployment Rate Forecast:	3.0%
2025 Headline Inflation:	+1.4%
2026 Headline Inflation Forecast:	+2.0%
2027 Headline Inflation Forecast:	+2.0%
End-2025 OPR	2.75%
End-2026 OPR Forecast:	2.75%
End-2027 OPR Forecast:	3.00%

Post-Budget 2027 Strategy

Oil Is the Swing Factor; Stay Barbelled

What We Heard

Beyond the Speech. The Maybank–MUFG post-Budget 2027 dialogue on 16 October 2026, led by Treasury Secretary-General Tan Sri Johan Mahmood Merican alongside Maybank IB's chief economist and MUFG representatives, offered several insights that were not covered in the Budget speech. None changes our call. We **maintain our Neutral market stance, our end-2026 FBM KLCI target of 1,770 and our barbell strategy**. The remarks below are as reported by the speakers at the event; the interpretation and estimates are ours.

Oil, Not Handouts, Is the Key Fiscal Swing Factor. The Treasury said Budget 2026 was prepared on a Brent assumption of USD65/bbl with petrol subsidies of about RM15bn. The bill is now expected to reach RM40bn, and the Budget keeps it at RM40bn for 2027. The Treasury added that higher oil and gas revenue has not covered the increase, because alternative crude supply is costlier, and described oil prices as stubbornly above USD100. The key market concern is whether Brent crude price will average above the Budget's USD85/bbl assumption for 2027. **Using our illustrative sensitivity of RM1.25bn of additional fuel subsidies for every USD1/bbl increase in Brent, prices averaging USD100/bbl in 2027 could add c.RM19bn to the subsidy bill. That is equivalent to c.0.8% of GDP before revenue offsets or policy adjustments (Table 2).** This is a simplified scenario rather than an official fiscal forecast.

Development Spending Could Become the Release Valve. At the dialogue, MoF acknowledged that higher subsidy costs squeeze what it can afford in development expenditure. It also said the first two years of the 13MP have run below the RM86bn annual average, and signalled a 2027 focus on smaller projects that can be executed within the same year. **If oil prices remain elevated, we believe development expenditure disbursement could face pressure as the government seeks to preserve its fiscal consolidation path.** This is our forecast, not a government decision. For contractors, it tilts our preference towards private-sector order books, such as data centres, and small-ticket public works rather than a public mega-project re-rating.

Compliance, Rather Than New Taxes, Is the Near-Term Revenue Lever. The Treasury indicated that Budget 2027 deliberately introduced no new taxes and will prioritise compliance. LHDN's initial e-invoicing-related "nudging" exercise generated RM1.5bn in additional tax assessments (assessments raised, not necessarily cash collected). The Treasury also said SST collections have reached 3.1% of GDP, comparable to GST collections in 2017. On GST, the Treasury said the Prime Minister acknowledges its merits but does not see now as the right time given household income levels, citing a median monthly wage of RM3,000. The new sales-tax reclaim for manufacturers might be a hint of the proposed hybrid SST–GST, which is still under study. **We view the hybrid model as a potential longer-term policy direction rather than an announced measure. In our view, the absence of a newly announced GST reduces the risk of an additional near-term consumption-tax shock.**

Bond Market Response Has Been Supportive. The 10-year MGS yield has fallen c.15bp since Budget Day and is up only c.30bp YTD, against c.90bp for US Treasuries, with USD/MYR stable around 4.08. A short-term rally is evidence of market performance rather than conclusive proof of a re-rating on fiscal credibility, but lower yields matter. The Treasury put debt service charges at RM61bn, or c.16% of revenue, above its internal 15% comfort level. Foreign investors continue to show interest in Malaysia's data centre sector, although power capacity and land availability remain key constraints.

GLICs and PETRONAS Carry More of the Load. MoF defended the RM25bn GLIC domestic-investment push and cited **VITROX (BUY; TP: RM11.12)** and **SkyeChip (BUY; TP: RM3.76)** as examples of the home-grown E&E champions it wants to see listed. This signals policy support for

the theme rather than direct orders or earnings for these companies. The Treasury added that PETRONAS is also investing further in Pengerang to secure fuel supply. A more stretched PETRONAS reinforces our caution on O&G services capex.

Table 1: Key Insights and Equity Read-Through

Theme	What we heard (speakers)	Our read-through (Apex view)
Oil & subsidies	Petrol subsidies RM15bn → RM40bn; oil currently above USD100 vs USD85 assumed	Oil, not handouts, is the main fiscal swing factor
Development spending	Subsidies squeezing DE; 2026–27 allocations below 13MP annual average of RM86bn	DE disbursement at risk if oil stays high
Taxation	No new taxes; compliance-led; hybrid SST under study	Lower near-term consumption-tax risk
Rates & FX	MGS 10Y c.-15bp post-Budget; USD/MYR c.4.08	Supportive for yield plays, pending verification
GLICs & PETRONAS	RM25bn GLIC DDI; PETRONAS paying more to the Treasury	Policy support for E&E; cautious on O&G services
Data centres	Foreign sponsors cite power and land as constraints	Grid and power capacity is the bottleneck

Source: Maybank–MUFG Post-Budget 2027 Dialogue (16 Oct 2026; remarks as reported by speakers), Apex Securities

Illustrating the oil risk

The Treasury's figures imply that the 2026 fuel subsidy estimate rose by c.RM25bn as the Brent assumption moved from USD65 to USD85, a ratio of c.RM1.25bn per USD1/bbl. We use this only as an illustrative sensitivity. The increase cannot be attributed to Brent alone, since subsidy volumes, product prices, the exchange rate and policy changes all play a part, and the relationship is unlikely to be linear. Applying it to 2027 nominal GDP of c.RM2.32tn gives the scenarios in Table 2. The estimates are gross: they exclude higher petroleum income tax and PETRONAS dividends, and any tightening of the BUDI95 quota. The Treasury noted that less than 1% of users fully utilise the 300-litre quota. Given the Fiscal Responsibility Act, we believe any overrun is more likely to be absorbed through slower DE disbursement than a wider deficit.

Table 2: Illustrative Oil Sensitivity of the 2027 Fiscal Deficit

Brent (USD/bbl)	75	85 (Budget)	95	100	110
Change in fuel subsidies (RMbn)	-12.5	0.0	+12.5	+18.8	+31.3
Implied deficit (RMbn)	65.0	77.5	90.0	96.3	108.8
Implied deficit (% of GDP)	2.8	3.3	3.9	4.2	4.7

Source: Budget 2027, Apex Securities. Illustrative Apex scenario, not an official fiscal forecast. Assumes a linear c.RM1.25bn per USD1/bbl and nominal GDP of c.RM2.32tn; before revenue offsets and policy adjustments.

Stay Neutral, sharpen the barbell

The dialogue reinforces our view that Budget 2027 is about continuity, not catalysts. Investors at the event summed it up as “same story, different year”. We therefore keep the market at **Neutral** and refine both legs of the barbell. On the **growth** side, we favour exposure to E&E upgrading, power capacity for data centres and private-sector construction, with the LSS6 award a catalyst to monitor. On the **resilient** side, we pair regulated utility earnings with mass-market consumer staples. We **avoid** labour-intensive companies facing the RM2,000 minimum wage, contractors reliant on public mega-project awards, and O&G services exposed to PETRONAS capex discipline.

Table 3: Preferred Exposures Across the Barbell

Leg	Stock	Rationale / what to watch
Growth	VITROX (BUY, TP: RM11.12)	E&E upgrading; local equipment demand during capacity build-out
Growth	SKYECHIP (BUY, TP: RM3.76)	IC design theme; policy support, not direct earnings
Growth	CHEEDING (BUY, TP: RM0.96)	Grid capex under RP4, ASEAN Power Grid tenders
Growth	ISF (BUY, TP: RM1.03)	Private data-centre order book, less reliant on public DE
Growth	SLVEST (BUY, TP: RM5.11)	LSS6 awards, a re-rating catalyst with additional upside
Resilient	TENAGA (BUY, TP: RM16.37)	Regulated returns under RP4, RAB growth; pace of contingent capex deployment, bond yield stability

Resilient	CCK (BUY, TP: RM1.17)	Mass-market grocery volumes; watch wage and input-cost margins
Avoid	–	Labour-intensive names; mega-project contractors; O&G services

Source: Apex Securities.

Risks to our view

Upside risks are a faster fall in oil prices, which would free fiscal room for DE, and stronger foreign inflows if the bond rally extends. **Downside** risks are:

- i. Brent sustained above USD100, pressuring DE disbursement;
- ii. implementation friction as agencies adapt to the new procurement framework under the Government Procurement Act from 2027; and
- iii. an earlier GE16 timeline.
- iv. The bond market does not appear to be pricing our forecast OPR hike to 3.00% by end-2027. If the hike does not materialise, regulated yield plays such as **TENAGA** would benefit.

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

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(a) nil.
