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BUDGET 2027: DELVING DEEPER INTO SUPPORTING HOUSEHOLD RESILIENCE, STRENGTHENING DOMESTIC ENTERPRISES AND ADVANCING MALAYSIA'S ECONOMIC TRANSFORMATION

- Budget 2027 seeks to balance household protection, domestic economic activity and fiscal consolidation amid persistent geopolitical uncertainty and elevated energy-price risks. Its measures span targeted household assistance, wage reform, tax relief, MSME financing, housing support, strategic investment and incentives to strengthen Malaysia's Islamic finance ecosystem.
- The Federal Government has allocated RM376.8 billion for operating expenditure and RM83.0 billion for development expenditure, bringing total Federal Government expenditure to RM459.8 billion. Including investments by government-linked investment companies (GLICs), public-private investment and other entities, the broader Budget package amounts to approximately RM510 billion. Federal revenue is projected at RM380.8 billion in 2027, compared with a revised estimate of RM363.6 billion in 2026.
- The fiscal framework remains anchored to gradual consolidation. The Government targets a fiscal deficit of 3.3% of GDP in 2027, following a revised estimate of 3.6% in 2026, with the deficit expected to narrow to 3.0% by 2028. However, higher fuel-subsidy costs and uncertainty surrounding the Middle East conflict could complicate this trajectory.
- From Bank Islam's perspective, Budget 2027 presents opportunities to strengthen household financial resilience, expand financing to viable domestic enterprises, support sustainable home ownership and participate in Malaysia's transition towards higher-value industries. Measures supporting Shariah-compliant fund management, sukuk and sustainable finance further reinforce the country's Islamic finance ecosystem.
- Nevertheless, the Budget's effectiveness will depend on execution rather than headline allocations alone. Household support must complement sustainable income growth; wage reform needs to be accompanied by productivity gains; financing facilities should reach viable businesses; and strategic investments should generate domestic value-added, skilled employment and technology transfer.
- The key assessment is therefore whether Budget 2027 can convert near-term support and investment commitments into stronger productivity, more resilient household balance sheets and sustainable economic growth without weakening fiscal discipline.

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Focus One: Household Support – Protecting Purchasing Power and Financial Resilience

1.1 Targeted assistance remains central to household protection

- The allocation for Sumbangan Tunai Rahmah (STR) and Sumbangan Asas Rahmah (SARA) increases from RM15 billion to RM16 billion. The announced measures include higher monthly assistance for eligible STR recipients and SARA MADANI assistance for Malaysians aged 18 and above who are not STR recipients.
- These initiatives should provide direct support to household purchasing power, particularly among lower-income groups and households facing persistent expenditure pressures. By supporting spending on essential goods, the programmes may help sustain domestic consumption while reducing the need for broader and less targeted fiscal interventions.
- However, cash transfers and purchasing assistance are best viewed as a buffer against financial pressure rather than a substitute for sustainable income growth. Their longer-term effectiveness will depend on whether household earnings rise sufficiently to keep pace with expenditure on food, housing, transport, healthcare, education and childcare.
- The policy challenge is to ensure that assistance reaches households most in need while maintaining incentives for employment, skills development and income progression. Better targeting and regular evaluation would also help the Government assess whether support is improving household welfare relative to its fiscal cost.
- For Bank Islam, these measures may help support household cash flow and the resilience of consumer financing customers. However, improved access to assistance does not automatically translate into stronger financing demand or better repayment performance. Income stability, debt-service commitments and the ability to absorb unexpected expenditure will remain central to household financial resilience.

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1.2 Minimum wage reform: Balancing income growth and business capacity

- The minimum wage will increase to RM2,000 per month from June 2027, with an exemption for MSMEs with annual sales below RM50 million. The measure is expected to affect more than four million workers. The Budget also introduces a RM2,500 wage floor for semi-skilled and graduate workers, while GLICs and government-linked companies are expected to adopt a living-wage benchmark of RM3,400.
- The measures reflect the Government's objective of raising household income and encouraging a gradual shift towards higher-value employment. Higher wages could strengthen consumption, improve workers' financial resilience and support domestic demand.
- However, the net economic impact will depend on how employers respond. Businesses with sufficient pricing power, productivity gains and access to technology may be better positioned to absorb higher wage costs. Conversely, labour-intensive firms operating on narrow margins may face pressure to raise prices, reduce hiring or defer investment if wage growth outpaces productivity.

- This is particularly relevant for MSMEs, where operating margins and access to financing vary considerably across sectors. Although the exemption for smaller firms provides some relief, differences in company size, sector and business model mean that the effects of wage reform will be uneven.
- Bank Islam's assessment is that wage reform should be accompanied by stronger support for automation, digitalisation, skills development and affordable business financing. This would improve the likelihood that higher wages are sustained by productivity gains rather than absorbed through lower profitability or higher prices.
- For Retail Banking, stronger and more stable household income could support demand for savings, takaful protection and suitable consumer financing products. At the same time, financing assessments should continue to account for differences in income security, employment conditions and household debt-service capacity.

1.3 Tax relief: Supporting disposable income, but with differentiated effects

- Budget 2027 broadens individual tax reliefs across selected areas, including care-related expenditure, education and tuition, sports-related purchases, artificial intelligence subscriptions, and pet-related expenses. The Government estimates that the measures could increase disposable income by up to RM1,600 for approximately five million taxpayers.
- The measures may provide relief to eligible taxpayers and support spending in selected areas. However, the actual benefit will vary according to individual tax liability, qualifying expenditure and the extent to which taxpayers can utilise the reliefs.
- From a macroeconomic perspective, tax relief is likely to benefit taxpayers with sufficient taxable income, whereas targeted transfers and essential-goods assistance are more immediately relevant to households with limited disposable income. The combination of these measures therefore addresses different population segments through different channels.
- The broader policy challenge is to ensure that tax relief supports productive expenditure, human-capital development and household resilience without unnecessarily weakening the revenue base.
- For Bank Islam, the measures may create opportunities to strengthen customer engagement around savings, financial planning, education-related financing and protection products. Such opportunities should be pursued alongside responsible financing practices and a clear understanding of customers' financial circumstances.

Focus Two: MSMEs – Improving Financing Access and Strengthening Competitiveness

2.1 Tax measures and financing support provide a foundation for business expansion

- MSMEs remain important to employment, domestic supply chains and economic participation. Budget 2027 reduces selected MSME income-tax rates by one percentage point, to 14% for the first RM150,000 of chargeable income and 16% for the RM150,000–RM600,000 band. The measures are expected to benefit up to 300,000 MSMEs.

- Other initiatives include changes to capital allowances, support for eligible manufacturing inputs and equipment, and extensions of accelerated capital allowances for selected machinery, information and communications technology equipment, and software. These measures are intended to reduce investment costs and encourage businesses to upgrade productive capacity.
- The Budget also provides RM57 billion in financing and guarantee facilities. These include guarantees through Syarikat Jaminan Pembiayaan Perniagaan (SJPP) and Credit Guarantee Corporation (CGC), as well as support for domestic mergers and acquisitions, export financing and microfinance.
- Collectively, these initiatives could help businesses address working-capital requirements, finance expansion and invest in productivity-enhancing assets. Guarantee-based support is particularly relevant to firms with viable business models but insufficient collateral or limited access to financing.
- Nevertheless, financing availability alone will not ensure business growth. The impact will depend on credit assessment, disbursement speed, financing suitability and businesses' ability to generate sustainable cash flows.

2.2 Implications for Bank Islam: From financing access to productive intermediation

- The measures present opportunities for Bank Islam to strengthen its role in financing viable MSMEs and supporting the domestic real economy. Potential areas include working capital, trade and export financing, machinery acquisition, digitalisation, automation and supply-chain financing.
- A more targeted approach could distinguish between businesses requiring short-term liquidity support and those seeking longer-term financing for productive investment. This distinction matters because temporary cash-flow constraints require a different response from investment projects whose returns depend on execution, market demand and future productivity gains.
- Bank Islam could also benefit from stronger engagement with guarantee institutions and development agencies to improve financing access for eligible businesses, subject to programme terms and appropriate risk assessment.
- From an Islamic finance perspective, the objective should extend beyond increasing financing volumes. Financing should facilitate legitimate economic activity, strengthen business resilience and contribute to broader socio-economic outcomes. Commercial sustainability and positive economic impact should be complementary objectives.
- The main risks are uneven business performance, weak cash flows, rising operating costs and excessive reliance on short-term borrowing. The Bank should therefore maintain prudent underwriting standards, monitor sector-specific exposures and assess whether financing supports genuine business capacity rather than postponing underlying financial difficulties.

Focus Three: Housing – Supporting Home Ownership and Responsible Household Financing

- Budget 2027 continues to support access to home ownership through guarantees and stamp-duty relief. The Syarikat Jaminan Kredit Perumahan (SJKP) guarantee facility is expanded to as much as

RM20 billion, with the aim of supporting approximately 80,000 first-home buyers, particularly those with less conventional income documentation, including self-employed individuals.

- The Budget also provides for stamp-duty relief on eligible first-home purchases, including full exemption for homes priced up to RM500,000 and partial relief for eligible homes priced up to RM750,000, covering qualifying transactions from 2027 to 2030.
- These measures could improve access to home financing for first-time buyers who have stable earning capacity but face barriers arising from deposit requirements or non-standard income documentation. They may also support housing-related economic activity.
- However, improved financing access must be distinguished from improved housing affordability. House prices, monthly instalments, maintenance costs, household income and the availability of appropriately located housing will continue to determine whether home ownership is sustainable.
- Guarantees and stamp-duty exemptions can lower selected entry costs, but they cannot independently resolve mismatches between property prices and household purchasing power. There is also a need to ensure that additional financing capacity does not encourage excessive borrowing or merely increase demand in housing segments where supply is constrained.
- For Bank Islam, the measures could support residential property financing and provide opportunities to serve first-time buyers and self-employed customers. The Bank should continue to assess affordability holistically, including income stability, existing financial commitments and repayment capacity under less favourable conditions.
- Islamic home financing can contribute to responsible access to housing when products are structured transparently and customers understand their obligations. The opportunity is therefore not simply to expand the number of financing accounts, but to support sustainable home ownership while maintaining financing quality.

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Focus Four: Strategic Investment – Converting Capital Commitments Into Domestic Value-Added

4.1 Supporting high-value sectors and investment-led growth

- Budget 2027 seeks to strengthen Malaysia's economic transformation through investment in strategic sectors and greater participation by GLICs, government-linked companies and private-sector investors. Under the GEAR-UP initiative, GLICs are mobilising RM25 billion in domestic investment. Selected initiatives include a RM1.25 billion New Economy Venture Fund for data centres and logistics, and RM1.2 billion in investments by Khazanah and KWAP to support local semiconductor companies moving into higher-value segments.
- These measures align with Malaysia's ambition to deepen its participation in higher-value activities, including semiconductors, digital infrastructure and advanced industries. They could support investment, employment and the development of domestic capabilities.

- Nevertheless, the economic benefits of strategic investment depend on how much value is retained within Malaysia. Large investment commitments do not automatically translate into stronger domestic productivity, higher wages or broader supply-chain development.
- The critical measures of success should include the creation of skilled jobs, domestic supplier participation, research and development, technology transfer, local intellectual property and the commercialisation of Malaysian capabilities.
- For data centres and other infrastructure-intensive investments, reliable electricity supply, water availability, grid capacity and energy efficiency will also influence whether projects can proceed sustainably. Investment approvals should therefore be accompanied by adequate infrastructure planning and transparent implementation milestones.

4.2 Implications for Bank Islam

- The investment agenda could create financing opportunities across infrastructure, industrial development, logistics, technology-related supply chains and supporting services. Bank Islam may be able to participate through suitable corporate and business financing, working-capital facilities, supply-chain solutions and Shariah-compliant investment structures.
- However, strategic-sector financing requires careful assessment of project execution, counterparties, cash-flow visibility and concentration risk. Capital-intensive investments may involve long construction periods, changing technology requirements and dependence on infrastructure readiness.
- The Bank should therefore distinguish between projects with clear commercial viability and those whose returns depend heavily on policy support or uncertain future demand. Financing decisions should be grounded in risk-adjusted returns and credible repayment capacity.
- There is also an opportunity to extend financing beyond major project sponsors to smaller Malaysian suppliers, contractors and service providers participating in the investment ecosystem. This would help broaden the economic benefits of strategic investment and strengthen the domestic enterprise base.

Focus Five: Sectoral Outlook – Where are the opportunities?

- The Budget's sectoral effects will depend on the transmission from announced allocations and incentives to actual spending, investment, employment and earnings. The most direct beneficiaries are likely to be sectors connected to public infrastructure, eligible household spending, business financing and strategic investment. Other sectors may experience a more mixed impact, particularly where higher operating costs offset the benefits of policy support.
- The assessment below reflects our interpretation of the announced measures and their likely transmission channels:

Sector	Outlook	Key drivers and considerations
Construction and infrastructure	Positive	Development spending and infrastructure projects could support construction activity,

		although actual benefits depend on tender awards, implementation timelines and execution capacity.
Banking and financial services	Selectively positive	MSME guarantees, housing support and strategic investment may create financing opportunities. Credit quality, borrower affordability and risk-adjusted returns remain critical.
MSMEs and domestic enterprises	Positive, but uneven	Lower tax rates, financing guarantees and investment allowances may support cash flow and expansion. Benefits will vary according to profitability, productivity and access to financing.
Semiconductors and advanced manufacturing	Positive	Strategic investment could support domestic semiconductor firms and supply chains. Talent availability, infrastructure and local value-added will determine the longer-term gains.
Digital infrastructure, AI and data centres	Positive, with execution risks	Investment initiatives could support digital infrastructure and related services. Electricity, water, grid capacity and domestic economic spillovers are key considerations.
Property and housing	Selectively positive	First-home guarantees and stamp-duty relief may support eligible buyers and housing activity. Affordability, property prices and household debt capacity remain constraints.
Consumer-facing businesses and retail	Mixed to positive	STR–SARA assistance and wage measures may sustain consumption, particularly for essential goods. The impact will vary by household income, spending priorities and business margins.

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Logistics and trade-related services	Selectively positive	Investment in logistics assets and infrastructure could support demand. Benefits depend on trade conditions, project delivery and the development of domestic supply chains.
Renewable energy and energy efficiency	Positive over the medium term	Investment in solar and related infrastructure could support the energy transition. Project economics, grid readiness and regulatory arrangements remain important.
Labour-intensive businesses	Mixed to negative for cost-sensitive firms	Higher wage costs may support household spending but compress margins for firms unable to offset the increase through productivity improvements or pricing power.

Focus Six: Winners and Losers – Who Benefits Most, and Who Faces Pressure?

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- The winners-and-losers framework should be interpreted as a comparison of likely policy effects, rather than a definitive classification of every household or business in a sector. Actual outcomes will depend on eligibility, implementation, financial conditions and each entity's underlying capacity.

Potential winners

- **Eligible lower-income households and first-time homebuyers -** Targeted assistance may ease immediate financial constraints, while housing guarantees and stamp-duty relief could improve access to home ownership for eligible buyers.
- **Viable MSMEs and growth-stage companies -** Lower tax rates, guarantees and investment allowances may improve financing access and support expansion, particularly for businesses with sound cash flow and credible investment plans.
- **Businesses linked to infrastructure and strategic investment -** Contractors, industrial suppliers, technology-related businesses and selected logistics operators could benefit as investment commitments translate into actual projects and orders.
- **Shariah-compliant investment participants -** Eligible fund managers, sukuk issuers and sustainable finance participants may benefit from the Budget's Islamic finance incentives, subject to the relevant eligibility criteria and implementation details.

- **Productive firms investing in technology and skills -** Businesses that use incentives to improve automation, digital capability and workforce productivity may be better positioned to absorb higher labour costs and compete over the longer term.

Potentially exposed groups

- **Labour-intensive businesses with thin margins -** Higher wage costs could weigh on profitability where firms have limited pricing power, weak productivity or insufficient access to investment capital.
- **Households whose incomes remain weak relative to living costs -** Targeted assistance provides a buffer, but households outside eligibility thresholds may continue to face pressure from housing, food, healthcare and other essential expenditure.
- **Businesses unable to access or utilise financing support -** Guarantee programmes cannot fully resolve weak cash flow, excessive indebtedness or unviable business models. Firms with limited documentation or repayment capacity may continue to face barriers.
- **Businesses exposed to energy and imported-input costs -** External price shocks, supply-chain disruptions and currency movements may offset the benefits of domestic support, particularly for firms with limited ability to pass on higher costs.
- **Projects and firms dependent on delayed implementation -** Businesses anticipating public or strategic investment may not realise the expected benefits if approvals, procurement, infrastructure provision or project execution are delayed.

Focus Seven: Islamic finance – Strengthening Malaysia's Competitive Advantage

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- Budget 2027 introduces measures to support the Islamic finance ecosystem, including a 40% income-tax exemption for eligible Shariah-compliant fund managers for the years of assessment 2028–2030. Eligible issuers under the Sukuk PRISMA initiative can claim deductions for approved issuance costs for the years of assessment 2027–2030, while grants received under the SRI Sukuk and Bond Grant Scheme will be exempt from income tax from 1 January 2027.
- The Budget also highlights tokenised retail savings sukuk using blockchain technology, with proceeds designated for areas such as education, healthcare and social protection. Separately, members of the Employees Provident Fund's Shariah Savings account will be able to pay zakat directly from dividends.
- These initiatives could support further innovation in Shariah-compliant investment, sustainable finance and digital capital-market instruments. They also reinforce the role of Islamic finance in mobilising savings and directing capital towards productive and socially beneficial activities.
- From Bank Islam's perspective, the opportunity is to strengthen the connection between Islamic financial services and the real economy. This includes financing households and businesses, supporting responsible investment, improving access to financial services and developing solutions that address evolving customer needs.
- The broader opportunity should not be measured solely by the expansion of Islamic financial assets or the number of new instruments introduced. The quality of intermediation also matters: whether

financing reaches viable businesses, whether households are better protected against financial shocks and whether capital contributes to sustainable economic activity.

- As digital and tokenised instruments develop, appropriate governance, cybersecurity, investor protection, Shariah oversight and operational resilience will remain important. Innovation should strengthen trust in the Islamic financial system rather than create new risks that are insufficiently understood.

7.1 Opportunities for Bank Islam

- Bank Islam can assess opportunities to deepen its participation in Shariah-compliant financing, sustainable investment and relevant digital financial services. The appropriate response should be guided by customer needs, commercial viability, operational readiness and the Bank's risk appetite.
- The Budget's support for halal certification among MSMEs is also relevant. Matching grants for first-time halal certification and support for halal businesses in selected sectors could help eligible firms improve market access and develop their operations.
- For the Bank, this creates a potential link between Islamic finance and the development of halal-sector businesses, including financing for working capital, equipment and business expansion. The commercial opportunity is strongest where certification and market access are accompanied by credible demand, sound management and sustainable cash flow.

Focus Eight: Fiscal consolidation – A Necessary Anchor amid Higher Spending Pressures

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- The Government targets a reduction in the fiscal deficit from 3.6% of GDP in 2026 to 3.3% in 2027 and 3.0% by 2028. Federal Government revenue is projected at RM380.8 billion in 2027, compared with a revised estimate of RM363.6 billion in 2026. Federal debt is projected at 64.0% of GDP in 2026 and 63.7% in 2027.
- The consolidation path is important for preserving fiscal flexibility, managing public debt and maintaining investor confidence. However, the revised 2026 deficit illustrates the sensitivity of public finances to external developments, particularly higher energy costs and the resulting subsidy burden.
- The Government continues to face a difficult balance between protecting households, supporting economic activity and reducing the deficit. If geopolitical tensions remain prolonged, higher fuel and supply-chain costs could increase expenditure pressures while weakening consumption, business confidence and revenue growth.
- The revenue outlook also depends on effective tax administration, stronger compliance, digitalisation and implementation of the Medium-Term Revenue Strategy. These initiatives can strengthen collections over time, but the pace and scale of the gains will depend on execution and economic conditions. The Government has also identified procurement governance, expenditure optimisation and more targeted support as part of its fiscal priorities.
- From Bank Islam's perspective, the fiscal trajectory has implications for the broader financial environment. Credible consolidation can help preserve confidence in Malaysia's sovereign credit profile and support orderly domestic debt-market conditions. Conversely, persistent fiscal pressures

could constrain the Government's ability to respond to future shocks and influence financing conditions across the economy.

- The key test is whether the Government can improve revenue mobilisation and expenditure efficiency while preserving productive investment and targeted household support. Fiscal consolidation should not be pursued simply through indiscriminate expenditure restraint; it should improve the quality and sustainability of public finances.

Implications for Bank Islam: Opportunities and risks

- Budget 2027 presents opportunities for Bank Islam, particularly in Retail Banking, MSME financing and Islamic financial services. However, these opportunities need to be assessed alongside potential risks to customer affordability, business cash flow and credit quality.

Area	Potential opportunity	Principal risk or consideration
Retail Banking	Deepen relationships through savings, protection and suitable consumer financing products	Household assistance may not fully offset higher living costs or weak income growth
Home financing	Serve eligible first-time buyers and self-employed customers	Property affordability, income documentation and repayment capacity
MSME financing	Provide working capital, trade financing and financing for productive investment	Weak cash flow, higher operating costs and uneven sector performance
Corporate and supply-chain financing	Support viable businesses connected to infrastructure and strategic investment	Project delays, counterparty risk and concentration in selected sectors
Islamic finance and sustainable finance	Assess opportunities in Shariah-compliant investment and relevant financing structures	Eligibility requirements, governance, execution and operational risks
Customer financial resilience	Strengthen financial planning, savings and protection engagement	Customers may remain vulnerable to unexpected expenditure and income disruption

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Conclusion: From Budget allocations to Measurable Outcomes

- Budget 2027 provides targeted support for households and domestic enterprises while maintaining a commitment to fiscal consolidation and higher-value economic development. Its measures could help sustain domestic demand, improve access to financing, support home ownership and strengthen Malaysia's position in strategic industries and Islamic finance.
- The sectoral implications are differentiated. Construction and infrastructure have a relatively direct transmission channel from project spending to business activity, while semiconductors, digital infrastructure and energy-related industries may benefit from strategic investment over a longer horizon. MSMEs could gain from tax relief and financing guarantees, but the benefits will depend on their underlying financial health and capacity to invest. Meanwhile, labour-intensive businesses and households with limited financial buffers may remain vulnerable to higher costs and uneven income growth.
- For Bank Islam, the Budget presents opportunities to deepen its role as a responsible financial intermediary supporting households, MSMEs and the wider real economy. The Bank's response should combine commercial discipline with a clear institutional commitment to inclusive growth and value-based Islamic finance.
- Ultimately, the Budget should be judged not only by the scale of allocations or the number of initiatives announced, but by whether these measures translate into stronger household financial resilience, more productive businesses, higher-quality employment and sustainable investment. Achieving these outcomes while maintaining fiscal discipline will be critical to Malaysia's longer-term economic resilience.

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Appendix

Sectors	Key Budget Measures
Residential	- ECRL-linked: Expansion of affordable housing projects near the KotaSAS station to support urban development and improve accessibility. - Bandar MADANI Bukit Jalil to be developed as an integrated affordable housing township, complete with public amenities, including a vertical school. Registration for Phase 1 of Bandar MADANI Bukit Jalil to commence immediately, expanding access to affordable homeownership. - Nearly RM1 billion allocated for affordable housing initiatives, including the Rumah Mesra Rakyat and Program Residensi Rakyat schemes. - Four new affordable housing projects to be implemented in Kulai (Johor), Nilai (Negeri Sembilan), Paya Rumput (Melaka), and Lembah Pertang (Terengganu). - SJKP to provide housing financing guarantees of up to RM20 billion to improve access to homeownership for first-time homebuyers. The guaranteed scheme is expected to benefit up to 80,000 first-time homebuyers, particularly self-employed individuals and those without fixed incomes. - RM50 million allocation for the Komuniti Angkat MADANI programme to support and uplift urban PPR communities - 50 acres of land in Kuala Lumpur gazetted as Malay Reserve Land, marking a significant expansion of reserved land ownership in the capital. PETRONAS has commenced development on the first 10 acres to provide affordable housing for eligible buyers. - 50 acres of strategic land in Kuala Lumpur, valued at RM1 billion, to be endowed to Yayasan Pelaburan Bumiputra (YPB) to strengthen Bumiputera economic participation and asset ownership. The endowed land is expected to be developed by PNB, with a focus on affordable housing and Bumiputera interests. - Nearly 11 acres of government land in Belfield, Kuala Lumpur, to be developed for at least 2,500 Rumah MADANI units. - Full stamp duty exemption on loan agreements and instruments of transfer for first-time home purchases valued at up to RM500K. - Full stamp duty exemption on the first RM500K of the property value and a 50% exemption on the remaining balance for properties valued up to RM750K. The incentive applies to sale and purchase agreements executed between 1 January 2027 and 31 December 2030. - New Armed Forces Family Housing (RKAT) to be developed in Skudai, Johor, alongside new quarters at the Langkap Immigration Detention Depot, Perak, and Papar, Sabah. - More than RM500 million allocated for these housing projects, benefiting nearly 900 personnel.
Construction	- Implementation of 21 infrastructure projects within the Chuping Valley Development Area and NCER AgriBio Economic Zone to support industrial and economic growth. - Malaysia, in collaboration with Singapore, will launch the Johor-Singapore Special Economic Zone (JS-SEZ) Master Plan as well as Blueprint by the end of the year. - Variation of Price (VoP) clause for diesel and bitumen will be introduced, helping cushion contractors against rising input costs amid higher global commodity prices and supporting timely project completion. - RM3.3 billion allocated in 2027 for the continuation of major road projects in Sabah and Sarawak, including the Pan Borneo Highway and Sarawak-Sabah Link Road. Key sections of

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the Trans-Borneo Highway (Miri, Limbang, and Lawas) to support regional connectivity and economic development.
- Sarawak-Sabah Link Road Phase 1 and Pan Borneo Sabah Phase 1B targeted for completion by end-2027.
- RM350 million allocated for Federal road maintenance works in Sabah and Sarawak, with contracts reserved for G1-G4 local contractors.
- RM400 million allocated by DBKL for the development of 120 acres of new green spaces, rehabilitation of existing parks, and upgrading of public facilities and public housing in Kuala Lumpur.
- Construction of 22 km of covered pedestrian walkways linking key landmarks, including Masjid Negara, Dataran Merdeka, and Pasar Seni.
- Expansion of covered walkways connecting residential areas to commercial premises, schools, clinics, and public transport stations to improve accessibility and walkability
- Upgrading of two DBKL-owned buildings at Anjung Kelana Taman Desa and Pasar Sementara Cheras into day-care centres for senior citizens.
- Allocation for Rural Roads projects increased to RM2.3 billion in 2027 to improve connectivity and accessibility in rural areas.
- RM3.3 billion allocated for basic rural infrastructure projects, including village street lighting, community facilities, and clean water and electricity supply.
- More than RM100 million allocated for the upgrading, repair, and reconstruction of ageing infrastructure in Kampung Baru Cina
- Allocation for small-scale projects under local authorities (PBTs) increased to nearly RM700 million. Funding to support the upgrading of public parks, public toilets, and hawker facilities to improve urban liveability and public amenities.
- RM1.2 billion allocated for the maintenance and upgrading of public hospitals and clinics nationwide. Allocation includes the refurbishment of remaining dilapidated clinics to enhance healthcare service delivery and patient outcomes.
- Ministry of Education (MOE) allocation increased to nearly RM69 billion, up from RM66.2 billion previously. Allocation for the maintenance and upgrading of all school types doubled to RM2 billion, from RM1 billion.
- Nearly RM1.3 billion allocated to upgrade 682 dilapidated schools, particularly in Sabah and Sarawak.
- Construction of new schools, preschool facilities, and education infrastructure to accommodate growing student enrolment and improve access to quality education. New school projects include SK Seri Chemor in Ipoh, Perak, and the Bandar Serenia School Complex in Sepang, Selangor.
- Development of a new preschool building at SK Bulu Silou in Keningau, Sabah, to strengthen early childhood education facilities.
- Construction of a new matriculation college in Marang, Terengganu, to expand access to pre-university education.
- Ministry of Higher Education (MOHE) allocation increased to RM19.1 billion to support the development of Malaysia's higher education ecosystem. RM800 million allocated for the upgrading of higher education infrastructure, including lecture halls, student accommodation facilities, and the replacement of ageing equipment.
- RM2.5 billion allocated for the maintenance of Federal Roads nationwide, including nearly RM800 million reserved for G1-G4 contractors.
- RM5.7 billion allocated under the Malaysian Road Records Information System (MARRIS) fund for the maintenance and upgrading of state roads.

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	- Construction of 15 motorcycle shelters by the Malaysian Highway Authority (LLM) to enhance road user safety and comfort. - RM260 million allocated to the National Disaster Management Agency (NADMA) to strengthen disaster preparedness, response, and recovery efforts. Housing repair assistance for disaster victims increased from RM5,000 to RM10,000 per household. - Allocation for the construction and maintenance of government quarters increased to RM2.3 billion, covering housing for police officers, doctors, military personnel, teachers, and firefighters.
Transportation & Storage	- Implementation of the Elevated Autonomous Rapid Transit (e-ART) system in Johor Bahru to address traffic congestion and improve urban mobility. - Expansion of bus routes and service frequencies ahead of the RTS Link opening to enhance public transport connectivity. - Increased KTM Komuter service frequency to support smoother cross-border and intra-city travel. - Introduction of Grab Shuttle services in high-demand areas - Malaysia Vision Valley 2.0 (MVV 2.0) to accelerate economic development in Negeri Sembilan through enhanced infrastructure connectivity. New KLIA-Bandar Enstek road and upgrading of the Pajam-Nilai-Salak route to improve connectivity. Meanwhile, Klang Valley Dual Track 2 project to enhance rail transport and support regional development. - Development along the ECRL corridor to accelerate economic growth in strategic areas of Pahang. ECRL-linked developments expected to enhance regional connectivity, attract investments, and create employment opportunities. - Installation of scanning facilities at the Perlis Inland Port to facilitate trade, improve logistics efficiency, and strengthen border security. - Introduction of buggy services at major attractions such as Tugu Negara, Perdana Botanical Gardens, and Carcosa Seri Negara, particularly benefiting senior citizens and visitors - My50 unlimited travel pass to be continued, benefiting around 300,000 Prasarana bus and rail users in the Klang Valley. - Introduction of the MyKomuter50 pass for approximately 40,000 KTM Komuter users. - Free travel passes to continue benefiting around 360,000 school students, persons with disabilities (PWDs), and children aged below six years. - More than RM3.4 billion to be invested by Prasarana for the comprehensive rehabilitation and upgrading of rail services. - Acquisition of 42 new train sets for ETS and KTM Komuter services to enhance capacity and service quality. - ECRL Phase 1, connecting Kota Bharu and Gombak Integrated Terminal, expected to commence operations in December 2027. Malaysia and China have agreed to extend the ECRL project from Kota Bharu ECRL station to Rantau Panjang, covering an estimated distance of 25km. - A new bus terminal will be constructed at the Kota Bharu ECRL station to enhance multimodal transport connectivity and commuter convenience. - RM270 million allocated to enhance stage bus services in major cities, improving public transport accessibility and connectivity nationwide. - Enhanced bus network to connect 15 stations along the East Coast in preparation for the commencement of ECRL operations. - RM1.1 billion jointly provided by the Government and MAHB to upgrade road infrastructure serving key ports and airports.

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	- Road improvement projects to cover airports in Kota Kinabalu, Miri, Tawau, Sandakan, and Penang, as well as the Long Banga and Ba'Kelalan STOLports in Sarawak.
Power/Energy	- RM204 million allocation for the installation of STATCOM systems at the Dam Road and Segaliud Main Intake Substations to enhance electricity grid stability and reliability. - Continuation of the Southern Link Transmission Line project as a long-term initiative to strengthen electricity supply security in Sabah. - Installation of solar-powered streetlights in villages and rooftop solar panels at welfare homes and places of worship by TNB. - Enhancement of electricity supply to tahfiz schools, pondok institutions, and Orang Asli settlements. - RM1.5 billion investment to develop centralized solar parks for government buildings, supporting Malaysia's renewable energy transition. The initiative is expected to create business opportunities for 33 Bumiputera companies involved in construction, engineering, and maintenance services. - Under the Large-Scale Solar 6 (LSS6) programme, 150 MW of solar capacity will be reserved for Bumiputera companies to strengthen their participation in the clean energy industry. - Development of 50 electric vehicle (EV) charging facilities at strategic locations to support EV adoption and sustainable mobility. - TNB to invest RM15 billion in strengthening the National Grid to support rising electricity demand and enhance energy security. - UEM Lestra to invest RM1 billion in energy transition projects, including energy storage facilities at KLIA and a 1GW hybrid energy project in Johor. - RM1 billion KWAP Climate Fund to support green projects, particularly in renewable energy and decarbonisation initiatives. - NUR MADANI programme to provide rebates of up to RM200 for the purchase of energy-efficient air conditioners and refrigerators. - Enhanced and extended tax incentives until 31 December 2030 to encourage greater adoption of green and sustainable technologies. - Companies undertaking green technology, sustainability-related projects, and electric vehicle (EV) charging station developments are eligible for Investment Tax Allowance (ITA) of up to 100% of qualifying capital expenditure. - Companies acquiring green technology assets for their own operational use are also eligible for Investment Tax Allowance (ITA) of up to 100%.
Telecommunication	- RM5 billion investment under the JENDELA programme to strengthen nationwide digital connectivity. Wi-Fi coverage has been expanded to all public university campuses, while 4G coverage has been provided to all FELDA settlements. - Expansion of 4G coverage to all Orang Asli villages to further bridge the digital divide. - Improved internet connectivity along 7,000 km of roads and 1,700 km of railway lines to enhance digital accessibility and support economic activities. - Implementation of the MADANI Submarine Cable (SALAM) project to strengthen Malaysia's digital infrastructure and international connectivity. - Ongoing digital adoption across public sectors and broadening of QR payment facilities will accelerate the expansion of network infrastructure and internet demand. - Additional allocation of 100K free Artificial Intelligence (AI) subscriptions.
Water	- RM100 million for flood mitigation projects, including retention ponds and river maintenance in the Klang Valley.

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	- Long-term assessment of Batu Dam and Klang Gates Dam capacities to enhance flood resilience. - Lebir Dam Project to be initiated as a long-term solution for flood and water supply issues in Kelantan. - Continued investment in water infrastructure through the Machang Water Treatment Plant and replacement of ageing pipelines in Kelantan. - Construction of a Regional Sewage Treatment Plant and Sewerage Pipeline Network in Kuala Terengganu to improve sanitation services and urban liveability. - RM2.5 billion allocated under the National Non-Revenue Water (NRW) Programme to improve access to clean water nationwide. Replacement of 1,900 kilometres of ageing and critical water pipelines to reduce water losses and enhance supply reliability.
Semiconductor	- RM100 million Strategic Investment Fund to be established by Khazanah and InvestPenang to support early-stage semiconductor and advanced manufacturing companies in Penang. - Kulim Hi-Tech Park to continue attracting global semiconductor investments, creating high-skilled jobs and business opportunities in Kedah.
Tourism	- Upgrading of Setiu Wetlands, Tasik Kenyir, Pulau Tenggol, and Pulau Bidong to strengthen Terengganu's ecotourism sector. - RM935 million allocated for tourism and cultural development following the extension of the Visit Malaysia campaign through 2027. Tourism promotion grants to support industry players in marketing initiatives and the organisation of tourism-related events. - Upgrading of tourism infrastructure, including jetties and heritage sites with UNESCO recognition potential, such as Danum Valley, Sabah, Bujang Valley, Kedah,Taman Negara Pahang. - Support for arts, culture, and heritage development, including cultural festivals in conjunction with the SEA Games, as well as traditional crafts, weaving, and batik industries. - International Flight and Charter Matching Grant to support new direct routes from China, India, Central Asia, and Europe. Grant scope expanded to include cruise ships, ferries, and tour buses bringing international tourists into Malaysia. - Duty-free purchase limit in Langkawi and Labuan increased to RM10,000, subject to a minimum stay of 48 hours. - Additional duty exemptions for locally made Langkawi products to support local entrepreneurs and businesses. - QR payment facilities to be expanded to 15 locations, including resort islands, to improve tourism convenience and support small businesses.
Healthcare	- 15 Community-Based Rehabilitation (PDK) facilities to be upgraded into Specialised Therapy Centres, benefiting approximately 20,000 registered persons with Down syndrome. - 3,000 new caregivers for persons with disabilities (PWDs) to receive specialised training to strengthen care services nationwide. - Ministry of Health (MOH) allocation increased to RM47.7 billion in 2027, up from RM46.5 billion previously. Higher healthcare spending aimed at strengthening healthcare services, improving medical infrastructure, and enhancing access to quality healthcare nationwide. - MediAsas Plan to be launched in January 2027, offering affordable health insurance with

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	hospital charges structured according to diagnosis and treatment categories to enhance cost predictability and affordability. - Launch of the e-CKAPS portal to fully digitalise private healthcare facility licensing processes, with processing times targeted to be reduced by up to 65%. - Medical Assistance Fund allocation increased to RM60 million, from RM40 million previously, to improve access to medical treatment for lower-income households. - Nine new healthcare facilities to be developed nationwide to expand healthcare capacity and improve access to specialised medical services (Specialist Clinic Complex and Day Treatment Centre at Hospital Sultanah Aminah, Johor, Dental Specialist Centre in Kuching, Sarawak, Integrated Health Complex in Gerik, Perak, Integrated Health Complex in Rembau, Negeri Sembilan). - RM1.2 billion allocated for the maintenance and upgrading of public hospitals and clinics nationwide. Allocation includes the refurbishment of remaining dilapidated clinics to enhance healthcare service delivery and patient outcomes. - More than RM770 million allocated for the procurement of advanced medical equipment to accelerate diagnosis and treatment delivery. - Upgrading of haemodialysis facilities at hospitals nationwide to improve access to renal care services. - Procurement of 400 new ambulances for MOH hospitals to strengthen emergency response capabilities and reduce response times. - Hospital Pakar USM to be equipped with robotic surgery technology, expanding access to advanced treatment for patients in the East Coast and northern Peninsular Malaysia. - 18 MOH training institutes to receive clinical simulation and basic science laboratory equipment to enhance the skills of over 20,000 medical, paramedical, and healthcare trainees.
Education	- Two Permata Kurnia Centres to be established in Melaka and Pahang to provide specialised education, support, and training for autistic children. - More than 130 new Tabika Tunas Istimewa classes to be opened in rural areas nationwide, expanding early intervention and learning opportunities for children with autism from lower-income families.
Automotive	- Automotive Hi-Tech Valley (AHTV) in Tanjong Malim, Perak to be positioned as a regional automotive hub. - Tax deduction of up to RM5 million on eligible relocation costs for fully Malaysian-owned automotive vendors relocating operations to AHTV (2027-2030)
Agriculture	- Implementation of 21 infrastructure projects within the Chuping Valley Development Area and NCER AgriBio Economic Zone to support industrial and economic growth. - In Kedah, Five Cropping Seasons in Two Years Paddy Cultivation Project to strengthen national rice supply security, with irrigation upgrading works across 15 paddy blocks progressing on schedule. - Pedu Dam Rehabilitation Project expected to be completed by end-2027, enhancing irrigation efficiency and supporting agricultural productivity. - RM300 million allocated for Federal-State collaboration on agri-food projects to boost community-based agricultural production and food security. - Successful agri-food initiatives include red tilapia farming in Batang Ai, Sarawak, supporting the production of 7.2 million fish fry annually and benefiting around 200 small-scale farmers. - Dairy farming project in Mersing, Johor targeted to contribute 50% of Johor's milk

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	production by 2030. - RM2.62 billion allocated for paddy farmer assistance programmes, covering subsidies for seeds, fertilisers, pesticides, land preparation, and paddy price support. - Average support of approximately RM4,300 per hectare provided to paddy farmers through various assistance schemes. - Paddy harvesting incentive increased from RM50 to RM100 per hectare per season. - Land preparation incentive maintained at RM300 per hectare and expanded to include paddy farmers in Sabah and Sarawak. - RM20 million allocated for the supply of foliar fertiliser across more than 10,000 hectares of paddy fields to restore soil fertility and improve agricultural productivity. - RM30 million allocated to increase the number of Special Sampan Licence holders from 17,000 to 20,000 fishermen. - Grants provided for aquaculture projects, including the deployment of biofloc systems for tilapia farming to improve productivity and income. - Eligible fishermen will continue to enjoy subsidised diesel at RM1.65 per litre. - RM178 million allocated for fishermen support programmes, including catch incentives and a Cost of Living Allowance (ESH) of up to RM300 per month. - More than RM40 million allocated to promote the development of high-value agricultural products using modern technologies. - RM100 million hybrid financing facility to support oil palm replanting activities for 4,500 smallholders.Under the hybrid financing model, smallholders are only required to repay 50% of the financing amount, reducing the financial burden of replanting. - RM200 million in soft financing introduced to support replanting costs for plantations of up to 40 hectares. - Loan repayments deferred for four years while newly planted oil palm trees reach maturity and begin yielding. - Smallholders will only bear 2% interest costs, with the remaining interest subsidised by the Government. - Incentive Production Rubber (IPG) rate increased to RM3.30 per kg, marking the third increase since 2022. - RM30 million allocated to combat crop diseases and pest infestations affecting the agriculture and plantation sectors. - Funding will support mitigation efforts against Ganoderma disease, bagworm infestations, and mealybug attacks in the oil palm sector, as well as diseases affecting cocoa and pepper crops. The IPG rate has risen from RM2.50 per kg in 2022, to RM3.00 per kg currently, and now to RM3.30 per kg. The enhanced incentive is expected to benefit more than 300,000 rubber smallholders.
Halal	- Matching grant of up to RM5,000 for MSMEs (PMKS) obtaining halal certification for the first time, aimed at reducing compliance costs and facilitating market expansion. - RM25,000 grant to support the development of halal MSMEs, particularly in high-value sectors such as cosmetics and pharmaceuticals.

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