

# BUDGET 2025

21 OCTOBER 2024

## MACROECONOMIC OUTLOOK

- Budget 2025 with the theme of “Reinvigorating the economy, driving reforms and prospering the Rakyat” is **in line with SME Bank’s expectation** where it continued to be **expansionary** (RM421.0 bil, up 6.9% YoY from initial 2024’s budget and 3.3% YoY from 2024’s revised budget).
- Higher OPEX** (RM335.0 bil) **while DEVEX** (RM86.0 bil) **remains unchanged** (lower vis a vis original 2024 budget of RM90.0 bil) in budget 2025 is also as per our earlier expectation.
- Our 2025 in-house macroeconomic forecasts were in line with gov’t’s projections, namely:
  - GDP growth at 4.5% to 5.5% range – exact match with SME Bank**
  - Inflation rate between 2.0% to 3.5%** (SME Bank: 2.0% - 3.0%) – depends on the impact of subsidy rationalisation, fluctuations in Ringgit as well as supply-related factors.
  - Commodity prices – **Brent oil average price between USD75 and USD80 /bbl** (SME Bank: USD75 – USD85 / bbl) while crude palm oil at a range of RM3.5k – RM4.0k /mt.
- GDP performance in 2025 will be **supported by both domestic and external demand**. Growth in private and public consumption will accelerate while investments are expected to relax following a vigorous growth this year.
- Key factors that will influence **inflation trajectory in 2025** include **RON95 fuel subsidy rationalisation** (mid-2025) and **progressive SST** (May 2025) which will expand to non-essential goods (e.g. imported premium items), business-to-business (B2B) commercial services and financial transactions. Nonetheless, we opine that **impact to inflation will be manageable** given timing of implementation.

Fig. 1: GDP breakdown by expenditure and industry

	Share (%)	Change (% YoY)		
	2024e	2023	2024e	2025f
<b>Domestic demand</b>	<b>95.2</b>	<b>4.6</b>	<b>6.3</b>	<b>6.1</b>
<b>Private expenditure</b>	<b>77.5</b>	<b>4.6</b>	<b>6.7</b>	<b>6.6</b>
Consumption	61.1	4.7	5.5	5.9
Investment	16.4	4.6	11.1	8.9
<b>Public expenditure</b>	<b>17.8</b>	<b>4.6</b>	<b>5.0</b>	<b>4.1</b>
Consumption	13.0	3.3	3.5	3.8
Investment	4.8	8.6	9.3	4.9
<b>External sector</b>	<b>4.2</b>	<b>-16.2</b>	<b>0.6</b>	<b>5.7</b>
Exports	67.9	-8.1	7.8	3.8
Imports	63.7	-7.4	8.4	3.7
<b>Services</b>	<b>59.4</b>	<b>5.1</b>	<b>5.3</b>	<b>5.5</b>
<b>Manufacturing</b>	<b>23.2</b>	<b>0.7</b>	<b>4.1</b>	<b>4.5</b>
<b>Agriculture</b>	<b>6.2</b>	<b>0.7</b>	<b>2.0</b>	<b>1.9</b>
<b>Mining</b>	<b>6.1</b>	<b>0.5</b>	<b>2.2</b>	<b>-1.0</b>
<b>Construction</b>	<b>3.9</b>	<b>6.1</b>	<b>14.1</b>	<b>9.4</b>
<b>Total GDP</b>	<b>100.0</b>	<b>3.6</b>	<b>4.8 - 5.3</b>	<b>4.5 - 5.5</b>

- Construction** sector will continue to lead in 2025 in terms of the highest growth rate. Strong growth momentum will **finally bring this sector back to pre-pandemic** level next year (2025: 106% of 2019).
- Despite rising cost (SST expansion & subsidy rationalisation), growth in the **services** sector is anticipated to be **slightly higher** in 2025, buoyed by expansion in all subsectors.
- This can be attributed to **higher minimum wage** of RM1.7k /month (current: RM1.5k) effective 1<sup>st</sup> Feb 2025, **bigger allocation for Rahmah Cash Contribution (STR) and Rahmah Basic Contribution (SARA)** (2025: RM13 bil; 2024: RM10 bil) as well as **civil servants’ salary revision**.
- Manufacturing** sector will also **expand at a faster pace** buoyed by implementation of major policies such as New Industrial Master Plan (NIMP) 2030 and National Semiconductor Strategy (NSS).

Private Consumption	Private Investment	Public Expenditure	External Demand
<ul style="list-style-type: none"> <li>+ Various cash aids: RM13 bil for STR &amp; SARA (2024e: RM10 bil); RM 3.9 bil from JKM (2024e: RM2.4 bil), RM500 special for civil servants ≤ grade 56 &amp; RM250 for pensioners</li> <li>+ Higher minimum wage of RM1.7k (current: RM1.5k)</li> <li>+ Individual tax relief: interest payments on first home loan, household food waste compost machine</li> <li>- Expansion of SST scope to non-essential goods</li> <li>- Subsidy rationalisation (RON95, public health and education services)</li> <li>- Dividend income tax of 2%</li> </ul>	<ul style="list-style-type: none"> <li>+ Focus on public-private partnership</li> <li>+ GLIC's GEAR-up: RM1 bil (Khazanah) for local semiconductor industry; RM500 mil (KWAP) in data centres, advanced manufacturing</li> <li>+ Investment matching fund of &gt;RM100 mil for local suppliers in E&amp;E, specialty chemicals and medical devices.</li> <li>+ RM16 bil (UEM Lestra &amp; TNB) to decarbonize industrial areas &amp; boost transmission capacity</li> <li>- High-cost environment (min &amp; progressive wage)</li> </ul>	<ul style="list-style-type: none"> <li>+ Higher OPEX (up 4.2% YoY from 2024e)</li> <li>+ Accelerate key projects in 12MP (final year)</li> <li>+ Investment in utilities (electricity/ energy transition) &amp; transportation</li> <li>+ Ongoing infrastructure projects (RTS Link, flood mitigation, ECRL, LRT3, Pan Borneo Sabah, Sabah-Sarawak Ring Roads)</li> <li>+ RM12.6 bil (2024: RM 12.4 bil) for Sabah and Sarawak</li> <li>+ Johor-Singapore SEZ Infra Facilitation Fund</li> <li>- Stagnant DEVEX</li> <li>- Higher debt service charges</li> </ul>	<ul style="list-style-type: none"> <li>+ RM1 bil under Khazanah for Mid-Tier companies' program</li> <li>+ RM40 mil refund grants under MATRADE to promote Malaysian goods in new markets (Africa, Latin America &amp; Middle East)</li> <li>+ Tax incentives extended to exports of integrated circuit (IC) design</li> <li>+ Global technology upcycle</li> <li>- Softer demand for mining products from key importers</li> </ul>

## FISCAL POSITION

- Govt's total revenue for 2024 was revised upwards, +4.7% from RM307.6 bil initially presented, driven by higher collection of SST (initial: RM35.8 bil; revised: RM40.9 bil) and investment income (initial: RM39.7 bil; revised: RM49.3 bil), notwithstanding downward revisions of revenue to be collected from CITA (initial: RM106.4 bil; revised: RM98.5 bil) and personal income tax (initial: RM42.5 bil; revised: RM40.8 bil).
- For 2025, Govt's **revenue is expected to increase** by 5.5% YoY to RM339.7 bil in 2025 (2024e: RM322.1 bil) propelled by: 1) corporate income tax (CITA: 8.1% YoY) attributed to **e-invoicing** and better economic outlook; 2) personal income tax in line with stable job market and improved wages as well as introduction of **dividend tax** on dividend income >RM100k (exclude EPF, PNB unit trusts and income from abroad); and 3) SST (14.2% YoY) from **wider scope and progressive** implementation. However, revenue from petroleum income tax (-4.6% YoY) and investment income (-2.2% YoY) are anticipated to be lower.
- On expenditure, 2024's OPEX was also revised upwards (5.8% from the initial RM303.8 bil) mainly due to higher spending in subsidies and social assistance than initially expected (highlighted in our **fuel subsidy rationalisation thematic**). For 2025, **OPEX will continue to increase across these key components** (emoluments, retirement and debt service charges), offset by reduction in subsidies and social assistance (-14.4% YoY).
- As the Govt's **Debt Service Charge (DSC)** is projected to grow higher (7.7% YoY) than its revenue collection (5.5% YoY), the DSC ratio to revenue will increase to 16.1% (2024e: 15.8%), **remaining above the Govt's self-imposed threshold of 15.0%**. This may **limit Govt's capacity to provide more for the Rakyat** as DSC takes precedence over other expenditure, according to the Federal Constitution.

Fig. 2: Malaysia Federal Expenditure (RM bil)

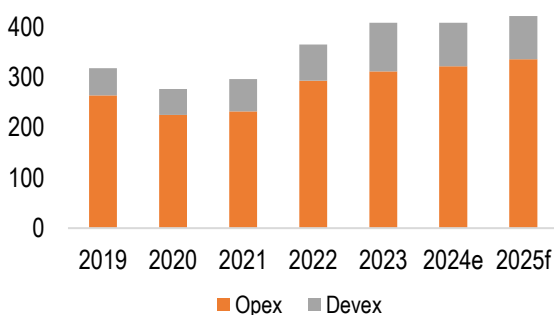
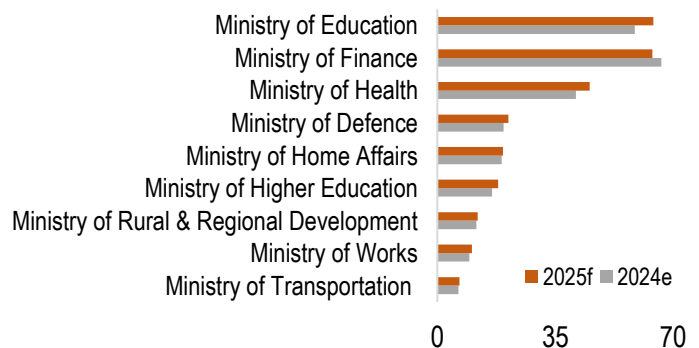


Fig. 3: Total expenditure by ministry (RM bil)



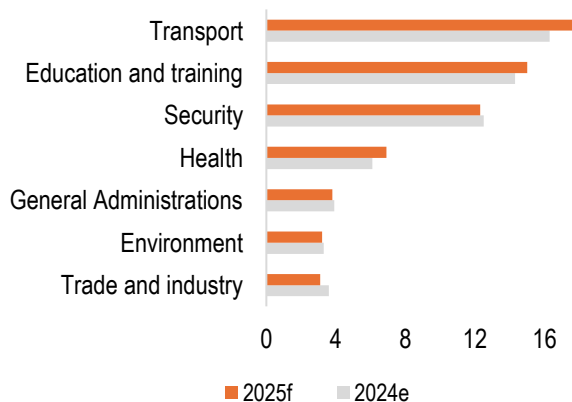
## FISCAL POSITION (cont.)

- While the **economic sector** continues to be the **largest recipient** (46.5%) of DEVEX in 2025, we observed a **downward trend for the past two years** (2024e: 48.1%; 2023: 59.6%). On the other hand, the **social sector is given a larger share of DEVEX** (2025f: 34.8%; 2024e: 32.8%; 2023: 25.2%). In fact, **despite stagnant DEVEX** allocation of RM86 bil in 2025, **all the social subsectors received higher allocation** while majority of the economic subsector did not, except transport.
- DEVEX allocation for **transport subsector seems like it expanded by 8.0%** to RM17.6 bil in 2025 if compared to revised Budget 2024 (RM16.3 bil). However, it actually **declined by -8.2%** vis-à-vis 2024's initial budget of RM19.1 bil, in line with our expectation. Although there are no announcements on new mega projects, **transport sector remains the largest recipient** of DEVEX (20.4%) as the Govt **focuses more on improving connectivity** – particularly in rural areas – **and reducing congestion** in more developed areas through construction of bridges and road from Ng Belawai to Song - Kapit (Sarawak), additional lane for Lebuhraya Utara Selatan Phase 3: Simpang Renggam - Machap (Johor).
- Second largest recipient is education** (RM15.0 bil or 17.5% share) with 5.3% YoY growth. Notable projects include 46 new schools and 122 projects to refurbish dilapidated schools, primarily in Sabah and Sarawak, besides implementation of smart classrooms in 400 selected institutions and improvement of ICT infrastructure. Allocation is also given to TVET empowerment.
- DEVEX for **health and housing** subsectors will receive **higher allocation** at RM6.9 bil (+11.6% YoY) and RM2.3 bil (+16.0% YoY), respectively. Key initiatives under the health subsector include building 15 new healthcare facilities as well as repairing and upgrading dilapidated clinics. Those for housing subsector include development of Perumahan Inklusif MADANI; PR1MA Mini Township in Teluk Intan (Perak); as well as Projek Perumahan Rakyat (PPR) in Seberang Perai (Penang) and Port Dickson (Negeri Sembilan).
- As revenue increased at a higher pace than expenditure, **fiscal deficit is targeted to reduce further** to 3.8% of GDP in 2025 (2024e: -4.3%). However, this **did not meet the Govt's deficit target** of 3.0% to 3.5% by 2025, which was **set out earlier under the 12 MP's Mid-Term Review**. In fact, fiscal deficit is projected to average at 3.5% of GDP over the 2025-2027 period, suggesting a gradual improvement.

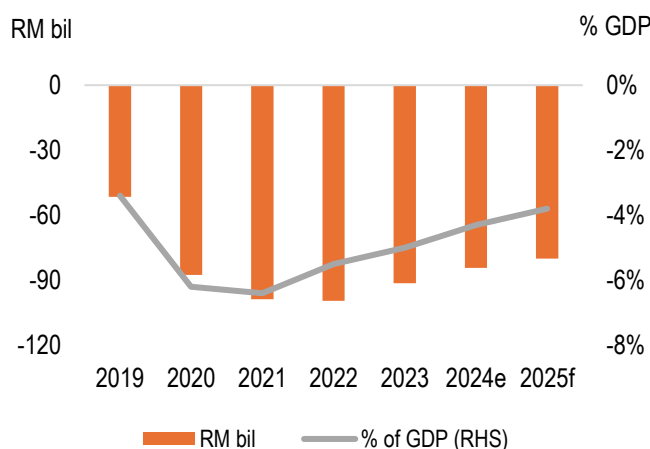
**Fig 4: Fed. Govt Fiscal Position**

Position	2023		2024e		Budget 2025		2025 - 2027	
	RM bil	% GDP	RM bil	% GDP	RM bil	% GDP	RM bil	% GDP
Revenue	315.0	17.3	322.1	16.5	339.7	16.3	1,055.0	15.7
(-) OE	311.3	17.1	321.5	16.5	335.0	16.1	1,043.3	15.6
(-) DE	96.1	5.3	86.0	4.4	86.0	4.1	246.0	3.7
(+) Loan Recovery	1.0	0.1	1.2	0.1	1.3	0.1	3.7	0.1
<b>Overall Balance</b>	<b>-91.4</b>	<b>-5.0</b>	<b>-84.3</b>	<b>-4.3</b>	<b>-80.0</b>	<b>-3.8</b>	<b>-230.6</b>	<b>-3.5</b>

**Fig.5: Development Expenditure by Sector (RM bil)**













**Fig.6: Malaysia Fiscal Deficit**














## MSMEs Spotlight under Budget 2025

- Overall, **Budget 2025 is positive and supportive of SMEs**. With financing available up to RM44.9 bil and various projects/ incentives announced, it highlights the importance of SMEs as the backbone of Malaysia's economy (39% of GDP). In 2023, SMEs' GDP expanded by 5.0% YoY, above national GDP of 3.6%.
- Nevertheless, several measures announced (RON95 subsidy rationalization, increase minimum wage, expansion of SST base) could add **additional costs** to SMEs, which may further pressure their **profit margins**.








Sectoru	No	Financing / Grants / Program/ Tax / Incentives	Amount (RM mil)	Impact
	1	SJPP guarantees funding (SME focus: Bumiputera, high technology, ESG, Halal & tourism)	20,000	
	2	BNM – funds to support SMEs	7,100	
	2.1	BNM – to support SMEs for digitalization, automation, agri-food & sustainable practices	3,800	
	3	Bank Pembangunan – financing to support SMEs in various sectors	6,400	
	4	Khazanah – (Mid-Tier Company Program, and other programs)	3,500	
	5	FELDA and FELCRA – to boost agricommodity activities with modern technology 	2,600	
	6	BSN micro financing for business capital & marketing for hawkers and small entrepreneurs	1,445	
	7	Small & medium construction projects for G1-G4 contractors, especially Bumiputera 	1,300	
	8	SME Bank – financing to support SMEs in various sectors	1,172	
	8.1	SME Technology Transformation Fund	400	
	8.2	Jaguh Serantau Program	200	
	8.3	Tabung Khas Pelancongan 	200	
	8.4	HalalBiz 	100	
	8.5	MySMELady 2.0	100	
	8.6	Environmental Sustainability Fund	100	
	8.7	Umbrella Ecosystem Financing	50	
	8.8	Social Enterprise Financing Scheme	15	
	8.9	Business Export Program	5	
	8.10	Various entrepreneurship training programmes for MSMEs under CEDAR	2	
	9	Bank Rakyat – financing for MSMEs, cooperatives, & women entrepreneur	1,030	
10	Exim Bank – SMEs to enter international market	750		
11	MARA – empowerment of Bumiputera entrepreneurship development programs	500		
12	Agro Bank – for business expansion, automation, replanting in agri-food 	330		
13	TEKUN – financing to micro Bumiputera entrepreneurs & Indian community	330		
14	MIDF – for ESG, services and manufacturing sectors (e.g E&E, aerospace, automotive) 	318		
15	PUNB - financing to Bumiputera SMEs	300		
16	Strategic Co-Investment Fund and the NIMP Industrial Development Fund	200		
17	Facilities to support hawkers & small traders (e.g building stalls, upgrading & repairing public market/business facilities, business space, licensing program) 	101.2		
18	Matching grant for the Smallholders' Latex Productivity Enhancement Program 	60		
19	Increase in threshold of stamp duty exemption for the Micro Financing Scheme from RM50k to RM100k starting 1 Jan 2025	n/a		
20	Stamp duty exemption on financing agreement instruments executed by SMEs with investors through the Initial Exchange Offering platform from 1 Jan 2025 to 31 Dec 2026	n/a		

Positive Neutral Negative










- While services sector is anticipated to expand by a higher growth rate of 5.5% in 2025 (2024e: 5.3%), we foresee this sector will encounter some challenges arising from some of the announced measures. Nevertheless, various targeted incentives and cash handouts could cushion some of the adverse effects.
  - RON95 petrol subsidy rationalization to begin in mid-2025. This is said to only affect high-income households (top 15% earners), while 85% of the public will continue to receive subsidy through targeted measures, potentially via a 2-tier pricing system. Nonetheless, businesses reliant on RON95 petrol for **transportation** is expected to face higher costs as the system for RON95 will differ from the fleet card used for diesel.
  - Increasing minimum wage to RM1.7k (+13%) from 1 Feb 2025 will also hit low wage/ labour intensive sectors such as **food and beverages** services (2023: average wage per labour = RM731/month). Nonetheless, employers with less than 5 workers are eligible for a 6-month delay. Expansion of SST to include fee-based **financial services** and non-essential goods such as premium imported items. Separately, tax on sugary drink will rise to 90 sen per litre next year (+80%), from 50 sen now, to affect the **sweetened beverages** sector.
  - Increase in STR & SARA to RM13 bil (+30% from 2024), JKM cash aids (+21% to RM2.9 bil), civil servants' salary increments, Budi Madani and EPF's flexible account are anticipated to significantly elevate household disposable income. This will increase in disposable income, thus support consumer demand in the **retail & F&B** sectors.

Sector	No	Financing / Grants / Program/ Tax / Incentives	Amount (RM mil)	Impact
<b>Retail</b>				
	1	Rahmah Cash Contribution (STR) and Rahmah Basic Contribution (SARA)	13,000	<span style="background-color: #4CAF50; width: 15px; height: 15px; display: inline-block;"></span>
	2	Cash assistance under the Department of Social Welfare (JKM)	2,900	<span style="background-color: #4CAF50; width: 15px; height: 15px; display: inline-block;"></span>
	3	Allocation to undertake efforts to address the cost of living	1,000	<span style="background-color: #4CAF50; width: 15px; height: 15px; display: inline-block;"></span>
	3.1	To expand other cost of living programs to control the prices of goods	700	<span style="background-color: #4CAF50; width: 15px; height: 15px; display: inline-block;"></span>
	3.2	Includes the Payung Rahmah Program	300	<span style="background-color: #4CAF50; width: 15px; height: 15px; display: inline-block;"></span>
	4	To distribute essential goods in rural and remote areas	250	<span style="background-color: #4CAF50; width: 15px; height: 15px; display: inline-block;"></span>
	5	e-Rebate to purchase energy-efficient electrical equipment 	70	<span style="background-color: #4CAF50; width: 15px; height: 15px; display: inline-block;"></span>
	6	Sugary drink tax to be raised to 90 sen per litre next year (+80%), from 50 sen now 	n/a	<span style="background-color: #F44336; width: 15px; height: 15px; display: inline-block;"></span>
7	Expansion of SST scope. SST will be imposed on fee-based financial services and non-essential goods such as premium imported items 	n/a	<span style="background-color: #F44336; width: 15px; height: 15px; display: inline-block;"></span>	
8	New minimum wage, up to RM1.7k   	n/a	<span style="background-color: #FFEB3B; width: 15px; height: 15px; display: inline-block;"></span>	
<b>Halal</b>				
	1	Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) to guarantee up to 80% of halal SME financing 	1,000	<span style="background-color: #4CAF50; width: 15px; height: 15px; display: inline-block;"></span>
	2	Bank Pembangunan Malaysia Berhad (BPMB) and SME Bank are offering specialized financing to halal SMEs 	600	<span style="background-color: #4CAF50; width: 15px; height: 15px; display: inline-block;"></span>
	3	Halal Industry Development including Halal Go Global to be more competitive	20	<span style="background-color: #4CAF50; width: 15px; height: 15px; display: inline-block;"></span>
	4	Assistance for local halal entrepreneurs transitioning towards green practices 	15	<span style="background-color: #4CAF50; width: 15px; height: 15px; display: inline-block;"></span>
	5	Addition of 100 new officers as halal auditors under JAKIM to expedite issuance of halal certificate	5	<span style="background-color: #4CAF50; width: 15px; height: 15px; display: inline-block;"></span>
	6	Enhance MYeHALAL system	5	<span style="background-color: #4CAF50; width: 15px; height: 15px; display: inline-block;"></span>
	7	Establish halal vaccine production	n/a	<span style="background-color: #4CAF50; width: 15px; height: 15px; display: inline-block;"></span>







- **Tourism** sector receives extra allocation next year, in preparation for Visit Malaysia 2026. The allocation jumped to RM1.4 bil, up from RM530 mil in 2024, to cover promotional activities, maintenance and conservation of tourist attractions.
- From Jan - Aug 2024, tourist arrivals reached 91% of pre-pandemic level (2019), an increase of 29.5% YoY and is expected to fully recover by 2025. Among the top 3 countries, visitors from China have surpassed its pre-pandemic level, reaching 105%. Meanwhile, tourist arrivals from Indonesia and Singapore have yet to fully recover, at 95% and 81%, respectively.
- Given the G2G visa free arrangements with selected countries, the share of tourist arrivals from China (8M 2024: 13.9% vs 2019: 11.9%) and India (4.4% vs 2.8%) have expanded. Similarly for tourists from Indonesia (14.6% vs 13.9%) as promotional activities intensify (**healthcare tourism, eco-tourism, Muslim friendly** etc) and multiple visa entry is allowed.








Sector	No	Financing / Grants / Program/ Tax / Incentives	Amount (RM mil)	Impact
<b>Tourism</b>				
	1	To restore and revitalise the Sultan Abdul Samad Building, KTM Station and Carcosa Seri Negara (Khazanah) 	600	<span style="background-color: #4CAF50; width: 20px; height: 10px;"></span>
	2	Visit Malaysia Year 2026	550	<span style="background-color: #4CAF50; width: 20px; height: 10px;"></span>
	3	Allocation to enhance key tourist areas with basic amenities, establish ecotourism partnerships, and support UNESCO nominations 	110	<span style="background-color: #4CAF50; width: 20px; height: 10px;"></span>
	4	Allocation for Museum	60	<span style="background-color: #4CAF50; width: 20px; height: 10px;"></span>
	5	Malaysian Healthcare Travel Council allocation for health tourism related programmes	31	<span style="background-color: #4CAF50; width: 20px; height: 10px;"></span>
	6	Conserve Putrajaya Monorail Suspension Bridge as a tourist landmark	15	<span style="background-color: #4CAF50; width: 20px; height: 10px;"></span>
	7	Allocation for Malaysia Convention & Exhibition Bureau	8.2	<span style="background-color: #4CAF50; width: 20px; height: 10px;"></span>
	8	Incentive for tourism programmes including international sporting events	4	<span style="background-color: #4CAF50; width: 20px; height: 10px;"></span>
	9	All ministries and departments involved in organising ASEAN Malaysia Chairmanship events to source handicrafts from local entrepreneurs 	n/a	<span style="background-color: #4CAF50; width: 20px; height: 10px;"></span>
	10	Forest City's incentive package upgraded from Duty Free Island to Forest City Special Financial Zone.	n/a	<span style="background-color: #4CAF50; width: 20px; height: 10px;"></span>
<b>Real Estate</b>				
	1	Govt guarantee under SJKP on housing financing for the benefit of 20k home buyers	10,000	<span style="background-color: #4CAF50; width: 20px; height: 10px;"></span>
	2	Step-Up Financing Scheme (govt guarantee) specifically for youngsters seeking to purchase their first home with a reduced interest loan repayment term for the first 5 years	5,000	<span style="background-color: #4CAF50; width: 20px; height: 10px;"></span>
	3	To encourage first-time home ownership, the govt plans to provide individual tax relief of up to RM7k on housing loan interest payments	n/a	<span style="background-color: #4CAF50; width: 20px; height: 10px;"></span>
	4	Youth Housing Financing Scheme under the LPPSA to benefit young civil servants seeking mortgage financing for a term of up to 40 years	n/a	<span style="background-color: #4CAF50; width: 20px; height: 10px;"></span>
	5	Govt Guarantee through SJKP for programmes under financial institutions that offer financing for the purchase of a first house worth up to RM500k developed on Waqf land	n/a	<span style="background-color: #4CAF50; width: 20px; height: 10px;"></span>
	6	Introducing a Carbon Tax on the iron and steel industry as well as the energy sector in Malaysia by 2026  	n/a	<span style="background-color: #F44336; width: 20px; height: 10px;"></span>

Positive Neutral Negative

Sector	No	Financing / Grants / Program/ Tax / Incentives	Amount (RM mil)	Impact
<b>ICT</b>				
	1	Continued funding for point-of-presence projects under Pelan Jalinan Digital Negara 	830	
	2	Allocation to all public universities to upgrade infrastructure, replace outdated equipment, and expand internet coverage 	635	
	3	Digitisation of higher education through DIGITAL FIRST initiative 	135.6	
	4	Allocation from MCMC to improve internet access in public universities, schools, military camps, and MARA institutions 	120	
	5	Fixed-Line Broadband Infrastructure Connectivity Programme for internet connectivity at 4,323 schools in remote areas 	100	
	6	Digital Content Grant to promote works, especially those based on the spirit of patriotism	65	
	7	Upgrade judicial infrastructure including e-Judicial systems supporting the digital agenda	61	
	8	Allocation for CyberSecurity Malaysia	53	
	9	Film In Malaysia Incentive (FIMI) through cash rebate provisions to continue promoting Malaysia as an international film destination	38	
	10	The MADANI Creative Youth Program - to attract nearly 16,000 young people to venture into creative content, particularly filmmaking	30	
	11	MyCreative Ventures - to support the creative industry through equity injections into high-potential companies	25	
	12	Strengthen role of the National Scam Response Center – collaboration with BNM, Royal Malaysian Police and financial institutions	20	
	13	Empowerment of e-sports through talent development, e-sports TVET, and upgrading existing facilities to be used for e-sports 	20	
	14	Implement 5G Use Case Pilot Project (ASEAN 5G Showcase) to fund the implementation of 5G enterprise pilot projects for various sectors	20	
	15	Establish a digital repository of national heritage artifacts to safeguard national treasure and heritage 	15	
	16	Continue Rural Community Centres' initiative to bridge the digital divide in rural areas	10.5	
	17	National Cyber Security Agency to add 100 positions to strengthen nation's cybersecurity	10	
	18	Establish National Artificial Intelligence Office to enhance AI adoption through collaboration with academia and industry 	10	
	19	Centralise Govt agency applications under the MyDigital ID Single Application	n/a	

- ESG-related initiatives that span across various sectors such as **manufacturing, transportation, automotive, construction, utilities and energy** are poised to benefit from the Govt's ongoing commitment to achieving net-zero emissions by 2050.
- An allocation of RM3.2 bil in DEVEX Budget 2025 will support environmental preservation and climate change initiatives, while another RM3.1 bil will drive industrial growth and sustainable energy transition.











Sector	No	Financing / Grants / Program/ Tax / Incentives	Amount (RM mil)	Impact
<b>ESG</b>				
	1	UEM Lestra and TNB will invest to enhance the capacity of transmission and distribution networks and decarbonize industrial areas	16,000	
	2	Green Technology Financing Scheme (GTFS)	1,000	
	3	Allocation for National Energy Transition Facility Fund	305.9	
	4	Develop profiles and maps of high-risk slope areas in Orang Asli villages	18	
	5	Kenyir Floating Solar Hybrid Farm and green hydrogen hub in Terengganu 	n/a	
	6	Tax deductions for contributions or sponsorships of Smart Artificial Intelligence – Driven Reverse Vending Machines will be extended until 31 December 2026	n/a	
	7	Large-Scale Solar (LSS) programme to develop LSS power generation projects with a total quota of 2,000 MW 	n/a	
	8	The Net Energy Metering (NEM) program is extended to 30 June 2025 	n/a	
	9	Scope of tax relief for the purchase of electric vehicle chargers to be expanded to include the purchase of food waste composting machines for household use, until the year of assessment 2027 	n/a	
	10	Open grid access initiatives will be implemented through the Corporate Renewable Energy Scheme (CRESS)	n/a	
	11	Solar-powered rooftop, walkways, spanning 5 km, will be built in Putrajaya for energy conservation, adding to the existing efforts to develop green cities 	n/a	
	12	Expand Carbon Capture, Utilization, and Storage (CCUS) activities as downstream products and tax incentives will be provided	n/a	

Sector	No	Financing / Grants / Program/ Tax / Incentives	Amount (RM mil)	Impact
<b>Transportation/ Automotive</b>				
	1	Increase Govt maritime assets, including new procurement of vessels	660	
	2	Expand Stage Bus Service Transformation and Interim Stage Bus Support Fund	273	
	3	Expansion projects for Tawau Airport (Sabah) and Miri Airport (Sarawak) 	253	
	4	Continue monthly My50 pass	216	
	5	Subsidies for Rural Air Services to benefit rakyat of Sabah and Sarawak	209	
	6	NIMP Industrial Development Fund to encourage innovation of local companies through technology adoption, targeting creation of 3k smart factories by 2030	68.5	
	7	Cash rebate up to RM2.4k for the purchase of CKD Electric Motorcycles 	10	
	8	Implementation RON95 targeted subsidy in mid-2025  	n/a	
	9	60% investment tax allowance for a period of 5 years to logistic companies that engage in smart logistics complex activities	n/a	
	10	Procurement of 250 electric buses (Prasarana) and 12 KTMB passenger train sets (MOT). Another 50 train sets will be acquired on lease through a G2G collaboration with China 	n/a	
	11	Strategic collaboration between GLCs and private entities to upgrade 100 bus stops involving seven PBT areas of Klang Valley 	n/a	
	12	Expand current Demand Responsive Transit by Prasarana in the areas nearby and around schools from selected train stations (LRT Sri Rampai & LRT Melati) with a fare of 50 cents per trip	n/a	






Positive Neutral Negative









- **Education and higher education ministries** are among Govt's top priority every year, collectively receiving 20% of the total Budget 2025 allocation, followed by Ministry of Finance (15%), and Health (11%).
- Total combined allocation (OPEX & DEVEX for education & higher education) hit a record high at RM82.3 bil (average 2017-2019: RM59.2 bil). Of which, Ministry Education receives RM64.2 bil (+9% YoY), while Ministry of Higher Education at RM18.1 bil (+11% YoY). This allocation covers a wide range of areas, including **construction** projects, **ICT**, scholarships, food, and cash aid.
- **TVET** allocation also increased to RM7.5 bil (2024: RM6.8 bil), underscoring the ongoing support for meeting industrial demand. Government-provided meal assistance for students also has become important, with a higher allocation of RM3.0 bil (2024: RM0.8 bil).

Sector	No	Financing / Grants / Program/ Tax / Incentives	Amount (RM mil)	Impact
<b>Education</b>				
	1	Increased allocation for TVET, from RM6.8 bil in 2024	7,500	
	2	Scholarships, loans & education allowances to pursue higher education	4,000	
	3	Training opportunities by HRDCorp	3,000	
	4	National school maintenance & upgrade of buildings and facilities 	2,000	
	4.1	Maintaining all types of schools 	1,000	
	4.2	Upgrading dilapidated infrastructure in 543 schools, particularly in Sabah & Sarawak	1,000	
	5	Boarding school food assistance	2,000	
	6	Vocational colleges & technical secondary schools to provide education to 77k students 	1,200	
	7	Raise TVET Education Per Capita Grant rate to 15%	913	
	8	Rancangan Makanan Tambahan (RMT) for 867k students	870	
	9	Early School Assistance is provided to all 5.2 mil students from Year 1 to Form 5	791	
	10	R&D funding increased under the Ministry of Higher Education	595	
	11	Funding by Skills Development Fund Corporation (PTPK) – RM100 mil dedicated to NIMP priority sectors (MRO, EV, aerospace and AI) 	500	
	12	Educational financing funds (PTPTN) to prioritize students pursuing studies in STEM fields at public universities	500	
	13	Build two new schools for special needs students in Tuaran (Sabah) & JB (Johor) 	300	
	14	The Govt will build new preschools for early childhood education 	262	
	15	Khazanah Youth Development Program (K-Youth) to develop 11k local talents in key sectors (semiconductors)	200	
	16	Special Needs Student Allowance (RM150/month) for >110k students with disabilities, including autistic students	200	
	17	Increase Poor Students' Trust Fund	180	
	18	Malaysia Science Endowment (MSE) Trust Fund to drive R&D in science & technology through provision of matching grants	170	
	19	Allocation for the maintenance of religious, tahfiz and institutions that implement Al-Quran and Fardu Ain classes 	150	
	20	Preschool Food Assistance (BMP)	137	
	21	11 new PERMATA Centers will be built to equip each state with educational centers for autistic children 	125.4	
22	Public universities are also implementing the MADANI Adopted Village initiative	100		
23	Repairing of facilities in schools (canteens, prayer rooms, sink, light, fans, dining tables and dilapidated surroundings) 	100		












Positive Neutral Negative

Sector	No	Financing / Grants / Program/ Tax / Incentives	Amount (RM mil)	Impact
<b>Education</b>				
	24	Tahfiz TVET Empowerment Programme for Bumiputera and short-term training for 3k gig workers (GiatMARA)	65	
	25	AI-related education will be expanded to all research universities	50	
	26	Collaboration with PROTON through the PROTON Advanced Automotive Technology Institute in Melaka 	50	
	27	National Service Training Program 3.0	50	
	28	Empower science, technology, engineering, and mathematics (STEM) education in MoE schools by computer laboratories upgrade and new equipment supplies 	36	
	29	Rakan Muda Programme	25	
	30	UiTM is allocated an additional budget to produce more E&E engineers	20	
	31	Tuition Fee Assistance for Autistic Children is provided to ease the burden on eligible parents	15	
	32	Assisting private autistic schools registered with the Ministry of Education in equipping learning facilities	10	
	33	An Autism Service Center will be established	5	
	34	Malaysia Techlympics Program	10	
	35	Additional rural school assistance for 687 rural schools	10	
	36	Sponsorship for Orang Asli education in higher education institutions by MARA	7.5	
	37	PNB will implement the Celik MADANI Program, which involves opening ASB accounts worth RM50 for free for 100k new students pursuing higher education	5	
	38	The Govt proposes a double deduction on company expenses for implementing the Structured Training Program (MySIP) under Talent Corp	n/a	
	39	A phased reduction in education subsidies for the top 15% income earners	n/a	
	40	Providing assistance for the purchase of flight tickets for 60k underprivileged students, especially from Sabah and Sarawak 	n/a	
	41	The individual income tax relief on payments for daycare (TASKA) and kindergarten (TADIKKA) fees is extended until the assessment year 2027	n/a	
	42	A total of 44 new schools will begin construction next year 	n/a	
	43	Increase living allowance (to RM530) for trainer teachers in the Bachelor of Education Program at the Teacher Education Institute	n/a	
	44	The individual tax relief on net savings in the National Education Savings Scheme (SSPN) is extended for another 3 years	n/a	

- Under the **construction** sector, we have observed **Govt's stance and increasing focus on upgrading and maintaining basic amenities and infrastructures projects** for the rakyat instead of rolling out lots of mega projects. This is set to **benefit SMEs players** in the construction sector (small & medium scale projects).
- Based on rolling plan 3 of 12<sup>th</sup> Malaysian Plan (2021-2025), 2,442 projects or 29% were in the post-implementation stage out of a total of 8,279 development projects as of Dec 2023. Meanwhile, 3,404 projects (41% share) are under implementation, where 550 projects (7%) are behind schedule or no progress status. Another, 2,433 projects (29%) are needed to reach the 12<sup>th</sup> MP target.
- With the roll out of Budget 2025, the accumulated DEVEX (2021-2025f) is estimated to total RM404 bil, slightly above the RM400 bil allocation stipulated under 12<sup>th</sup> MP. The govt is expected to accelerate the roll out of projects next year (final year), as discussion for 13<sup>th</sup> MP (2026-2030) gains momentum.
- Despite the absence of new mega projects in the budget announcement, ongoing projects will continue to support the sector's performance (e.g, Sarawak Cancer Centre, Pan Borneo Sabah Phase 1B, ECRL, expansion of LRT3, LRT Penang, flood mitigation projects).

Sector	No	Financing / Grants / Program/ Tax / Incentives	Amount (RM mil)	Impact
<b>Construction</b>				
	<b>1</b>	<b>Transport Infrastructure Projects</b> 		
	1.1	Construct bridges and roads from Nanga Belawai to Song Kapit, Sarawak	321	<span style="background-color: #4CAF50; width: 20px; height: 15px;"></span>
	1.2	Upgrade Jalan Bahau-Keratong, Jempol, Negeri Sembilan	190	<span style="background-color: #4CAF50; width: 20px; height: 15px;"></span>
	1.3	Construct and upgrade Pulau Indah Ring Road and Northport Klang, Selangor	107	<span style="background-color: #4CAF50; width: 20px; height: 15px;"></span>
	1.4	Upgrade Jalan Persiaran Wawasan, Kangar, Perlis from two to four lanes	80	<span style="background-color: #4CAF50; width: 20px; height: 15px;"></span>
	1.5	Upgrade motorcycle lane of Lebuhraya Persekutuan	20	<span style="background-color: #4CAF50; width: 20px; height: 15px;"></span>
	1.6	North-South Expressway between Juru and Sungai Dua	n/a	<span style="background-color: #4CAF50; width: 20px; height: 15px;"></span>
	1.7	West Ipoh Span Expressway between Gopeng and Kuala Kangsar, Perak	n/a	<span style="background-color: #4CAF50; width: 20px; height: 15px;"></span>
	1.8	West Coast Expressway stretch from Banting to Gelang Patah	n/a	<span style="background-color: #4CAF50; width: 20px; height: 15px;"></span>
	<b>2</b>	<b>Flood Mitigation Plan</b> 		
	2.1	Issue Letters of Acceptance (SST) for 12 Flood Mitigation Projects	3,000	<span style="background-color: #4CAF50; width: 20px; height: 15px;"></span>
	2.2	Repair secondary, FELDA and industrial roads, including bridge upgrade works, and federal roads damaged from flooding	1,200	<span style="background-color: #4CAF50; width: 20px; height: 15px;"></span>
	2.3	Allocation for NADMA in preparation for floods	582	<span style="background-color: #4CAF50; width: 20px; height: 15px;"></span>
	2.4	Clean and upgrade drains and ditches to reduce flooding in several hotspot areas under local authorities	150	<span style="background-color: #4CAF50; width: 20px; height: 15px;"></span>
	2.5	Matching grants is immediately provided to GLIC and GLC Foundations to enhance response and aid distribution to victims in flood-affected areas	20	<span style="background-color: #4CAF50; width: 20px; height: 15px;"></span>
	<b>3</b>	<b>Construction, Maintenance and Repair assets</b>		
	3.1	MARRIS funds are allocated to maintain state roads, including damaged drainage, slopes and bridges 	5,500	<span style="background-color: #4CAF50; width: 20px; height: 15px;"></span>
	3.2	Basic infrastructure in rural, village, and remote areas will continue to be prioritized to provide comfort to the people	2,900	<span style="background-color: #4CAF50; width: 20px; height: 15px;"></span>
		a) Construction and repair of village roads like in Kota Belud (Sabah), Pasit Putih (Kelantan) and Kuala Lipis (Pahang) 	1,800	<span style="background-color: #4CAF50; width: 20px; height: 15px;"></span>
		b) Electricity supply connectivity, RM284 mil specifically for Sabah and Sarawak	352	<span style="background-color: #4CAF50; width: 20px; height: 15px;"></span>
		c) Clean water supply, RM207 mil specifically for Sabah and Sarawak	322	<span style="background-color: #4CAF50; width: 20px; height: 15px;"></span>
		d) Project Lampu Jalan Kampung	270	<span style="background-color: #4CAF50; width: 20px; height: 15px;"></span>
		e) Construction and upgrade of 142 bridges that are no longer safe 	86	<span style="background-color: #4CAF50; width: 20px; height: 15px;"></span>
		f) Construction and repair of other basic facilities such as village halls, public halls, and covered walkways in rural and interior areas	37	<span style="background-color: #4CAF50; width: 20px; height: 15px;"></span>

Positive Neutral Negative

Sector	No	Financing / Grants / Program/ Tax / Incentives	Amount (RM mil)	Impact
<b>Construction</b>				
	3.3	Several new police stations will be built next year	2,100	
	3.4	Repairing all public servant quarters	1,800	
	3.5	Allocation to upgrade Federal Roads in 2025 	1,600	
	3.6	Empower G1-G4 contractors	1,300	
	3.7	Priority is given to the development of towns bordering Kalimantan, Indonesia, and Southern Thailand	1,000	
	3.8	The Federal Govt and Sarawak are collaborating to develop the Sarawak Cancer Center	1,000	
	3.9	Allocation for the immediate repair of non-primary roads 	1,000	
	3.10	Allocation to implement 48 People's Residency Programs (PRR) and 14 People's Friendly Housing projects. 	900	
	3.11	SOCSSO will build a state-of-the-art Rehabilitation Center in Terengganu	600	
	3.12	Constructing new and upgrading ICQS (Immigration, Customs, Quarantine, and Security) facilities in Rantau Panjang and Bukit Berapit	560	
	3.13	Skim Pembangunan Kesejahteraan Rakyat, to refurbish rural housing	464	
	3.14	Bridge construction and repair projects 	350	
	3.15	Development of waqf land to build independent retirement homes for low-income retirees. 	300	
	3.16	Low- and medium-cost public strata housing will be maintained, including replacing old elevators	200	
	3.17	UDA will continue to focus on developing affordable housing for the people on waqf land 	200	
	3.18	Allocation for the CAKNA 2 Scheme to support the cash flow of G1-G4 contractors in completing small-scale Govt projects	200	
	3.19	Enhance road user safety through the maintenance of streetlights, smart traffic lights, and Federal Road infrastructure 	178	
	3.20	To start cleaning drains and dredging rivers in affected cities 	150	
	3.21	Allocation for the cleaning and upgrading of drains and ditches 	50	
	3.22	48 MADANI Public Parks will be upgraded	100	
	3.23	Kampung Baru Cina has been allocated to upgrade basic and social facilities for community use	84	
	3.24	Allocated to continue leveraging the role of 115 District Engineers as the front line in expediting the resurfacing of pothole-ridden Federal Roads 	30	
	3.25	Allocated for NGOs and JAKOA to collaborate in building houses under the EPIC Homes program	10	
	3.26	The Community River Cleaning Project will be implemented under the National River Trail Program	10	
	3.27	Improve the condition of the iconic Siti Khadijah Market	5.5	








Positive

Neutral

Negative

## 4. Projects by State



Sector	No	Financing / Grants / Program/ Tax / Incentives	Amount (RM mil)	Impact
<b>Agriculture</b>				
	1	Food security agenda	4,188	
	1.1	Allocate subsidies, assistance, and incentives for paddy farmers and fishermen	2,780	
	1.2	The 5 Seasons 2 Years Paddy Planting Project in Kedah & Perlis (MADA)	784	
	1.3	Establish agricultural project collaborations with State Govts	300	
	1.4	Continue the Pembangunan Semula Hasil Baharu Pekebun Kecil programme 	112.6	
	1.5	Developing irrigation and drainage systems in paddy granaries and expanding FELCRA paddy estates in Sabah and Sarawak 	65	
	1.6	Sustainable agriculture agenda includes development of agrifood sustainability, soil conservation programmes	49	
	1.8	Agricultural Disaster Fund (TBP)	25	
	1.9	Incentives for small ruminant farmers with an existing livestock birth rate of at least 100% 	12	
	1.10	Incentives for beef cattle farmers with an existing livestock birth rate of at least 60%	8.8	
	1.11	Fishermen Housing Assistance to refurbish and build new homes for fishermen 	10	
	1.12	Investment funds through Venture Fund for agricultural, biotechnology and agritech-based companies	10	
	1.13	Expand the MADANI community gardens (Kebuniti) programme	10	
	1.14	Implement a Regulatory Impact Assessment (RIA) 	10	
	1.15	Promotion Programme for Good Agricultural Practices (GAP) Scheme to promote production of quality and safe produce for consumption	5.5	
	1.16	Onion Industry Development Programme for farmers in Perak, Kelantan, Selangor, Johor, Kedah and Penang	6	
2	Redevelopment of Orang Asli plantations nationwide	380		
3	Incentives to encourage smallholders to replant palm oil will also continue	100		
4	The commitment to defending the palm oil industry is intensified to counter European misconceptions	65		
5	Abandoned private rubber plantations will be revitalized	20		
6	Implementing disease mitigation and control to prevent further spread	10		
7	Sejati MADANI initiatives have successfully fostered over 6,400 rural economic activities	n/a		
8	The Govt will utilize nearly 8,800 acres of idle land owned by regional development authorities and their network agencies to implement agricultural projects	n/a		
9	The Govt has agreed to raise the ceiling rate for new construction or relocation assistance for fishermen's houses 	n/a		
10	Raising the threshold value for the windfall profit levy on palm oil fruit to RM3,150 for Peninsular Malaysia and RM3,650 for Sabah and Sarawak	n/a		
11	The proposal to implement a multi-tier levy mechanism early next year aims to reduce dependence on foreign workers	n/a		

Positive

Neutral

Negative

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