

RHB IB Estimates RM90 Bln Development Expenditure For Construction Sector In Budget 2025

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KUALA LUMPUR, RHB Investment Bank Bhd (RHB IB) has estimated a net development expenditure of around RM90 billion in Budget 2025 as Malaysia enters the final year of the 12th Malaysia Plan.

In its research note today, it said the government has 'little room for excesses' as public finance is 'tight'.

It expects Budget 2025, to be tabled on Oct 18, to hold ingredients that encapsulate fiscal prudence, compassion for lower-income segments, commitment to reform, and clarity on initiatives to broaden the tax base.

"RHB Economics forecasts 2025 fiscal deficit target of 3.5 per cent against the 4.3 per cent target in 2024," said RHB IB.

The new Public-Private Partnership Masterplan 2030 may support the overall infrastructure spending, helping to mitigate risks and optimise costs.

RHB IB expects Budget 2025 allocation for the transportation sub-sector from the total development expenditure 'to be reasonably higher than the 21.3 per cent, or RM19 billion, budgeted for 2024' given the potential transportation-related projects.

This includes Sarawak's Northern Coastal Highway, the remaining phases of the Pan Borneo Highway, KL Sentral re-development, Putrajaya-Bangi Expressway, KL Northern Dispersal Expressway, West Ipoh Span Expressway, and Johor Bahru's Elevated Autonomous Rapid Transit.

Meanwhile, it believes the Mass Rapid Transit (MRT3) funding mechanism, the latest round of cost estimates, and whether fresh re-tendering is needed given that the validity of MRT3 tenders has not been extended beyond March 2024.

The investment bank said MRT Corp is conducting a Sept 2-Dec 2 public inspection exercise to gather feedback on the proposed MRT3 network alignment.

RHB IB has an 'Overweight' rating on the construction sector as contractors are in a sweet spot. They can ramp up progress and accept new jobs as there is ample labour supply and material costs are manageable.

RHB IB's top 'Buy' picks are Gamuda with a target price (TP) of RM9.68, Kerjaya Prospek (TP: RM2.57), and Sunway Construction (TP: RM5.50).