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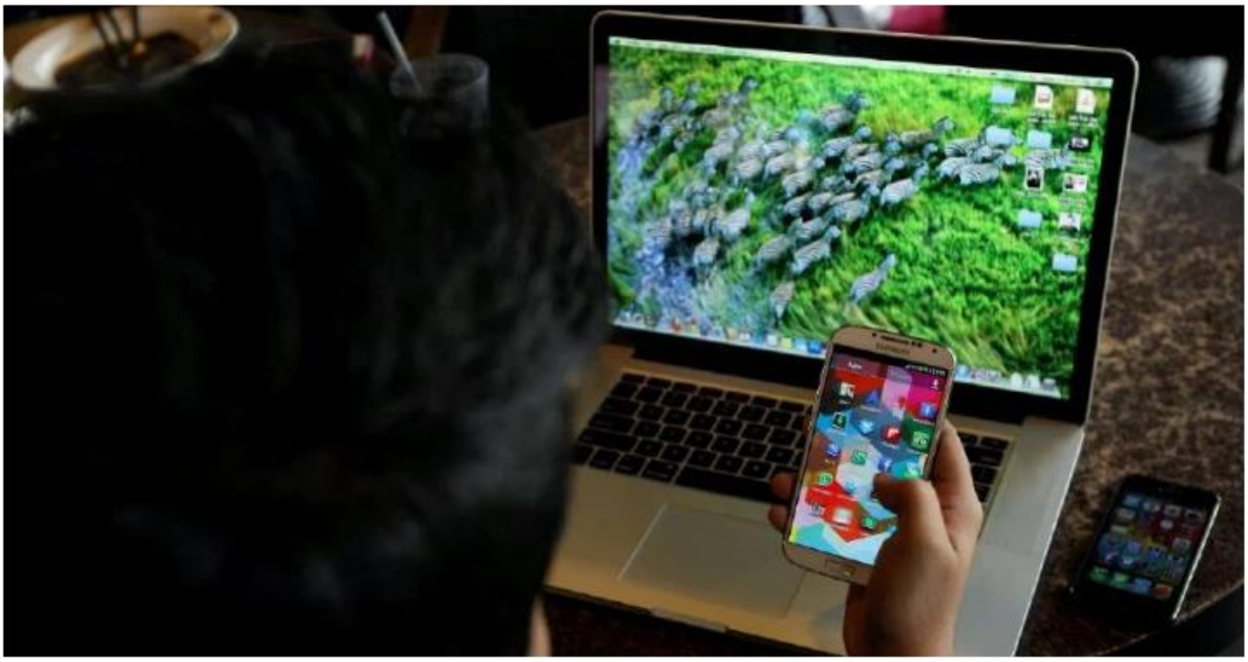
Tech sector seen as biggest winner

By Azanis Shahila Aman - September 29, 2021 @ 9:07am



KUALA LUMPUR: Technology sector is a clear beneficiary of the 12th Malaysia Plan (12MP), the country's latest RM400 billion blueprint, together with healthcare and telecommunications, analysts said.

And for the first time in the history of Malaysia Plan, construction takes a slight back seat, although it is still important.

Analysts also said the 12MP was long-term positive but lacked near-term excitement for stock market investors.

After being postponed four times, the 12MP was unveiled on Monday with a development expenditure (DE) sum of RM400 billion or 61 per cent higher than the 11MP.

Some of the 12MP targets are annual gross domestic product (GDP) growth of 4.5-5.5 per cent (11MP actual: 2.7 per cent), average monthly household income of RM10,000 by end-2025 (as of end 11MP: RM7,200), GDP per capita gap between Klang Valley and Sabah to be reduced to a ratio of 1:2.5 and with Sarawak to 1:1.2 by 2025, and reducing greenhouse gas emissions by 45 per cent of GDP by 2030.

"The main clear beneficiary will be the technology sector as we believe that this will be the driver to achieve the stated aims in the 12MP. The construction sector, although still important, has been overshadowed by the technology sector." MIDF Research said.

The firm noted that as part of the Digital Transformation Plan, the government would allocate about RM28 billion to improve the existing 4G network and another RM15 billion to accelerate the introduction of a 5G network in the country.

MIDF Research said with increased focus on enhancing the healthcare system, the healthcare industry could be another beneficiary. "This is especially as Malaysia is expected to be an aging society by 2030, which requires increase spending on healthcare services."

Meanwhile, hand-in-hand with the increase adoption of technology, the telecommunication sector will be seen as vital to achieve the goals of 12MP.

This was due to the fact that many of the initiatives require real-time data and faster communications, MIDF Research said.

Public Investment Bank Bhd (PublicInvest) said customary brick and mortar beneficiaries like construction and infrastructure were noticeably lacking this time round with 12MP. This was evident of the country's shift toward digital-based infrastructures as drivers of future growth.

PublicInvest said the 12MP was focusing on eight industries that were expected to catalyse economic growth in the next half-decade. They are electronics and electrical, global services, aerospace, creative, tourism, halal, smart farming and biomass.

"Special mention was also made regarding the need for a comprehensive transformation of the water sector, the strengthening of telecommunications services and transforming the logistics ecosystem for greater efficiency," the firm added.

Despite being a long-term positive, Hong Leong Investment Bank Bhd (HLIB) said the 12MP was a slight disappointment to listed contractors with no mention of new mega projects and back-loaded DE allocation.

While its DE ceiling was high compared to 11MP, this typically translated to more small-mid-scale projects which might not catalyse listed construction companies' performance, HLIB said in a report today.

"Carbon neutrality appeared to be a noticeable theme (benefitting renewable energy and electric vehicle). However, construction, a favourite in past Malaysia Plans, unfortunately saw no new mega projects.

"At the onset, the 12MP's targets seem realistic but we are cognisant there could be longer term implementation risk as manoeuvring the next half decade in an endemic won't be a walk in the park," it added.

HLIB said the 12MP had received a lukewarm market response on Monday.

But Bursa Malaysia's benchmark FBM KLCI rebound from the 1,483 low might continue this week ahead of the potential third-quarter 2021 window dressing activities (driven by oil and gas and financial stocks amid surging oil prices and rising yields) coupled with further re-opening of economic sectors as the nation enters an endemic phase by year-end.

HLIB kept its end-2021 FBM KLCI target at 1,620 points.

"We continue to see near-term upside bias to the market on back of a rather fast tracked economic reopening, effectively putting the country in Phase 4 of the National Recovery Plan by late October or early November," it said.

Kenanga Research sees the 12MP plan being a bit too ambitious and may not meet its objective on time as it is only four years away from 2025.

Hence, there was a need to closely monitor each social and economic development performance target to ensure that any setback can be rectified to minimise any deviation from its key performance targets.

"The digitalisation of the economy should be prioritised to capitalise on a population that is increasingly adopting the latest technologies to manage their daily lives, such as e-wallets and internet banking.