

Sectoral Assessment Post-Budget 2026: Mixed Measures, Diverging Impacts Across Industries

We zoom into sectors that stand to gain from Budget 2026. Measures vary in depth, but some industries get clearer tailwinds. **First up: the automotive sector**, where shifts in EV incentives and continued support for national marques stand out.

Budget Measures	Details
Excise duty and sales tax exemption	Full exemption for purchase of new national cars (Proton and Perodua) by taxi and private hire drivers
Matching grant for vehicle scrapping	Up to MYR4,000 for owners to scrap vehicles over 20 years old and purchase new national cars (Proton/Perodua)
Reform of vehicle tax exemptions	Eligibility limited to vehicles valued below MYR300,000 in Langkawi and Labuan, effective 1 January 2026
Expansion of EV charging infrastructure	UEM Lestra, in collaboration with PLUS, to expand EV charging along highways as part of MYR16.5b investment mobilised by GLICs and GLCs in 2026



Our take on Automotive Sector:

The automotive sector is set to receive support in unexpected ways. While Budget 2026 did not announce fresh allocations for EVs, the government signaled that **tax exemptions for EVs will end in 2026**, effectively reversing incentives granted under Budget 2023. This move appears aimed at **shielding local manufacturers**, given that Malaysia’s top 10 EV brands—accounting for 66.3% of the market—are largely imports without local assembly.

A **RM100k price floor on EVs** adds another dimension, potentially sparking a **price war among mid-range models** and accelerating adoption in the mass market. Expanded charging infrastructure and the withdrawal of exemptions are designed to tilt competitiveness back towards local producers, aligning with the government’s broader subsidy rationalisation push.

Top EV Brands in Malaysia’s Passenger Market (Jan–Sep 2025)¹

Rank	Maker	Sales (unit)	% share
1	BYD	8,417	33.6%
2	Proton	6,212	24.8%
3	Tesla	3,847	15.3%
4	BMW	1,215	4.8%
5	Chery	610	2.4%
6	Porsche	545	2.2%
7	Mercedes Benz	540	2.2%
8	Xpeng	527	2.1%
9	Mini	471	1.9%
10	MG	439	1.8%



Bottom line: We remain **constructive on the automotive sector**, with EV adoption gaining traction while policy shifts create a more balanced playing field for local manufacturers

Source: [Data.gov.my](https://data.gov.my)

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Tourism Sector - Modest Budget, But External Tailwinds Drive Optimism

Budget Measures		Details
Visit Malaysia 2026	RM700 million for Visit Malaysia 2026 campaigns	Allocated to support marketing, promotions, cultural & heritage programs
Airport / Infrastructure Upgrades	RM2.3 billion for airport modernization	Upgrades at Penang, Kota Kinabalu, Tawau, Miri, KLIA, Selangor Aero Park to boost capacity and connectivity
Tax Incentives – Operators	Income tax exemption on incremental revenue for inbound tour packages	100% exemption for YA 2026 & YA 2027 for qualifying operators
	Tax deduction for renovations / upgrades	Up to RM500,000 deduction for qualifying renovation/refurbishment of tourism operators
	Expansion of MICE tax incentives	100% income tax exemption for organizers of verified MICE events extended to YA 2027
Tourism Reliefs / Rebates for Public	Tax relief for entrance fees to attractions	Up to RM1,000 relief for spending on local tourist attractions, cultural / arts programmes
	Personal income tax rebate / incentive for domestic travel	Designed to encourage Malaysians to travel locally



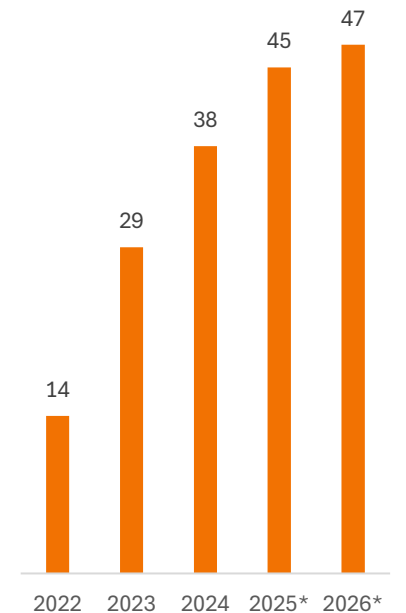
Our take:

Malaysia's **tourism rebound has been strong**, with arrivals topping 38 million in 2024 and receipts exceeding RM106.8b. Budget 2026 initiatives are more **modest than post-pandemic stimulus**, but still supportive.

Beyond the budget, the **visa-free travel arrangement** with China (effective July 2025) and **extended visa exemptions** for Chinese and Indian visitors until end-2026 provide further upside. These measures should help sustain arrivals from two of Malaysia's largest source markets, cushioning the sector against external shocks.

Bottom line: While fiscal allocations are moderate, structural tailwinds from visa liberalisation and targeted grants keep the **tourism outlook constructive**, with **potential revenue upside** if arrivals from China and India accelerate further.

Annual Tourist Arrivals
(million visitors)



* official target

Source: <https://data.tourism.gov.my/>

Agriculture & Food: Strengthening Supply Amid Widening Agrifood Trade Deficit



Our take:

Food security was clearly elevated in this budget, reflecting the **government's concern over rising food import bills and climate-driven risks**. The record subsidy allocation for paddy farmers underscores a push to stabilise rice production, though structural reforms—mechanisation, productivity gains, and crop diversification—will be just as critical. Beyond rice, the government is encouraging expansion in grain corn, poultry, dairy and fruit cultivation, signalling a shift toward a more diversified food base.

These initiatives, particularly the emphasis on modernisation and technology adoption across the agrifood chain, could **catalyse new investments and working capital needs** as producers upgrade capacity. Execution remains the key watch point: the extent to which subsidies and incentives translate into higher yields and more resilient supply will determine the sector's longer-term impact on growth and stability.



Bottom line: *Elevated support for food security is constructive for supply resilience, with potential spillovers into higher productivity and investment across the agrifood chain*

Initiative	Allocation & Beneficiaries	Purpose
FELDA, RISDA & FELCRA protection	RM2.4b – over 720,000 settlers, smallholders & families	Social protection & welfare, Musim Tengkujuh aid
Palm oil mechanisation & automation	RM20m for startups (via MPOB & palm oil companies)	Boost mechanisation, reduce reliance on foreign labour
Oil palm replanting & smallholder incentives	RM100m replanting scheme, RM120m smallholder support	Enhance productivity, lower smallholder costs
Other agro-commodity crops	Cocoa (RM17.5m), Pepper (RM16m), Kenaf (RM15m)	Diversify crop base, improve competitiveness
Palm oil sustainability & promotion	MSPO certification (RM38.5m), Anti-Palm Oil campaign (RM15m), smallholders support (RM10m)	Promote sustainability standards, counter anti-palm oil sentiment
Rubber industry support	RM171m production incentive, RM600m for R&D, RM50.7m for plantation roads	Stabilise income, strengthen R&D & infrastructure
Food production & automation	100% tax exemption: new projects (10 yrs), expansions (5 yrs); automation incentives (livestock, aquaculture, apiculture, deep-sea fishing)	Strengthen food security, modernise agriculture