AmBank Group

AmBank Economics

#WhatWeThink

Fixed Income: Bond market to ride on bright construction sector outlook

17 April 2026

CONSTRUCTION SECTOR

Summary: Firm outlook for the construction sector this year and beyond is expected to increase reliance on the fixed-income market to finance construction activities, especially civil engineering (infrastructure) projects.

SECTION 1: Background of the construction sector (PAGE 2)

There has been strong activity in the construction sector since 2022. The next few years should also see a bright outlook for the sector, though there was some lapse or deterioration in metrics for construction and property in 2025, including a drop in infrastructure works as major projects were completed in 2024-2025. We expect activities to accelerate in the coming years. Not only do we expect housing activity and demand to be stronger but also work in the civil engineering and infrastructure subsector to increase. We expect demand for new infrastructure to increase, with new projects emerging, and we are guided by the government, which is already planning increased infrastructure development expenditure in the coming years. The need for facilities and utilities, including renewable energy, should drive sector growth.

SECTION 2: Bond market goes in-hand with the construction sector (PAGE 7)

Meanwhile, we expect the bond market to remain the sector's main funding driver. Even though there are fiscal concerns on the government, which may limit direct government devex, we expect an increased use of GG bonds to fund the sector. We note that, based on the relevant fiscal metrics, there remains ample space for the government and GLCs to continue issuing large GG bonds in the medium- to longer-term period. Already, we note a surge in GG bond issuance in 2025-2026, which reflects our strong view on the matter.

SECTION 3: Ready for continued growth (PAGE 13)

We foresee a firm growth outlook for the construction sector over the next five years, at least. Urbanisation, population, and income trends support growth in the residential subsector. In addition, at the heart of our assumption is that population growth and urbanisation increase the need for utilities and transport facilities.

SECTION 4: Outlook is driven by non-sovereigns (PAGE 22)

Demand from investors for construction bonds (including construction-sector-related, project finance, real estate, and infrastructure/utilities) is expected to remain firm. We continue to expect better take-up of construction bonds. Not only should supply be ample, but valuations may also be enticing; the relatively better creditworthiness of construction sector issuers ought to attract demand. Infrastructure and construction bonds are typically more liquid as well. There are various types of securities designed to facilitate the funding of construction projects, especially given relatively higher funding requirements than in other sectors and the long gestation period of construction activity, where returns on investment are similarly long. Amongst others, we've noted a rise in the importance of government-guaranteed bonds, project financing bonds, and government-created organisations that aid in the financing and refinancing of properties, such as Cagamas and LPPSA. Public-private partnership (PPP) projects and concession agreements are also important for supporting construction activity and enabling issuers to tap the bond market.

SECTION 5: Investment outlook; key issuers on our radar (PAGE 25)

We look at various GG and AAA to AA-rated issuers to see which names are likely to see demand, considering factors such as sub-sectors, valuations/spreads, and liquidity.

1 BACKGROUND: CONSTRUCTION SECTOR

1.1 The construction sector's strong performance since 2022

Strong construction sector GDP growth in 2024-2025. Even though the construction sector makes up a relatively small part of Malaysia's GDP (at 4.3% of GDP in 2025; 2024: 4.0%) in recent few years it has been a decent contributor to GDP growth — at 0.6 percentage points (pp) of the total GDP growth of 5.1% in 2024 and 0.5 pp of the 5.2% in 2025 — lagging just the services and manufacturing sectors in both years. According to data from Malaysia's Department of Statistics (DOSM), the construction sector performed impressively in 2024 and 2025. As per GDP by economic activity statistics (constant 2015 prices), the construction sector grew by +11.0% y/y in 4Q2025, down from +11.8% in 3Q2025. In the full year 2025, the construction sector growth was a strong +12.2% y/y (2024: +17.5% y/y, 2023: +6.0% y/y) compared with Malaysia's GDP growth in 2025 of +5.2% (2024: +5.1%, 2023: +3.5%).

The value of work done in the construction sector continues to record strong growth. As opposed to the value-added calculation under GDP accounting, DOSM data show the value of works done in the construction sector in 4Q2025 at MYR46.38 billion, up by 10.3% y/y from the same period in 2024. The value of works done in the full year 2025 was MYR178.6 billion, with the y/y% for the value of work done maintaining double-digit growth in every quarter of 2025. Even though work value recorded a stronger growth rate of >20% in every quarter in 2024, in 2025 the value had surged by about 50% (and the number of projects up 40%) compared with 1Q2022. Meanwhile, the full-year 2024 value of work done in the sector totalled MYR158.8 billion, up 20.2% from MYR132.2 billion in 2023 (2023: +8.4%). CAGR in the 10 years up to 2024 was 4.5%, considering contraction in the construction sector in the Covid years (2020: -19.4%; 2021: -5.0%).

1.2 Participation in the Construction sector: The public sector's key role in infrastructure/civil engineering

Construction of buildings is the largest contributor to sector value, but infrastructure works remain substantial. Data from DOSM and BNM both indicate that expansions in non-residential and special trade subsectors drove the construction sector growth. More specifically, DOSM data show that of the MYR46.38 billion in work done in the construction sector in 4Q2025, 52.8% (MYR24.5 billion) was for the construction of buildings. However, the construction value of civil engineering or infrastructure (we will use either term interchangeably) was also substantial, comprising 34.9% of the total (MYR16.2 billion). Over the 10 years 2015-2024, the average shares between building construction and civil engineering were 54.5% and 38.6%, respectively, totalling 93.0% of the sector, with the remaining 7.0% in Special Trades activities (site preparation, electrical and plumbing installation, etc.).

Private-sector focus is on building construction, while public-sector focus is on civil engineering/infrastructure works. Meanwhile, in 2024, the private sector accounted for 62% of construction work, whereas direct government participation accounted for 20% and public sector corporations accounted for 18%. In 2017-2024, the private sector contribution averaged 58% per year, whereas the direct government contribution averaged 21% and the public corporation contribution averaged 21%. Private sector participation is important in the building of houses and non-residential properties, while government and public sector corporations are important players in civil engineering. In 2025, private sector works totalled MYR114.0 billion (2024: MYR98.5 billion), comprising 34% (MYR38.6 billion) in residential property construction, 36% (MYR41.5 billion) in non-residential buildings, and a still substantial 17% in civil engineering works. Direct government works done in 2025, which total

Exhibit 1: Construction sector vs GDP growth, % y/y

	Construction sector	GDP
1Q2022	(6.0)	5.1
2Q2022	2.7	9.2
3Q2022	15.2	14.6
4Q2022	10.3	7.4
1Q2023	7.4	5.7
2Q2023	6.2	2.7
3Q2023	7.1	3.1
4Q2023	3.4	2.8
1Q2024	11.9	4.2
2Q2024	17.2	5.9
3Q2024	20.0	5.4
4Q2024	20.7	4.9
1Q2025	14.2	4.4
2Q2025	12.1	4.4
3Q2025	11.8	5.4
4Q2025	11.0	6.3
2022	5.1	9.0
2023	6.0	3.5
2024	17.5	5.1
2025	12.2	5.2

Sources: DOSM, AmBank Economics

Exhibit 2: Value of work done in Malaysia's Construction sector

	Number of projects	Value of work (MYR bn)	% q/q	% y/y
1Q2022	16,632	29.46	6.6	-6.1
2Q2022	16,619	29.94	1.6	6.1
3Q2022	17,305	30.52	1.9	23.2
4Q2022	17,546	31.97	4.8	15.7
1Q2023	17,328	32.22	0.8	9.4
2Q2023	17,513	32.35	0.4	8.1
3Q2023	18,811	33.44	3.4	9.6
4Q2023	19,602	34.15	2.1	6.8
1Q2024	19,780	36.79	7.7	14.2
2Q2024	20,476	38.89	5.7	20.2
3Q2024	21,619	41.08	5.6	22.9
4Q2024	22,995	42.05	2.4	23.1
1Q2025	22,108	42.90	2.0	16.6
2Q2025	21,897	43.93	2.4	12.9
3Q2025	22,546	45.42	3.4	10.6
4Q2025	22,950	46.38	2.1	10.3

Sources: DOSM, AmBank Economics

MYR36.8 billion, comprised just 4% in residential construction works, 23% in non-residential construction, and a 63% (or MYR23.2 billion) in civil engineering. Meanwhile, public sector corporations' works done comprise a small 3% in residential buildings, 1% in non-residential buildings, and a large 82% in civil engineering. All in, government participation (direct and via public corporations) in civil engineering totalled MYR45.9 billion in 2025 (71% of all civil engineering works), vs the private sector at MYR18.8 billion (29%).

Exhibit 3: Value of works done in the construction sector, by subsector (MYR billion)

	Residential buildings	Non-residential buildings	Civil Engineering	Special trade	Total
2014	30.5	34.3	32.7	5.0	102.5
2015	33.8	39.1	36.6	5.4	114.9
2016	37.8	39.8	43.3	6.0	126.8
2017	39.3	41.6	51.1	6.5	138.5
2018	36.6	41.2	60.6	7.2	145.5
2019	35.8	37.6	65.6	7.5	146.4
2020	29.6	31.1	49.9	7.3	117.9
2021	26.8	31.4	43.8	9.9	112.0
2022	27.8	37.3	45.0	11.9	121.9
2023	28.8	38.4	52.1	12.9	132.2
2024	35.8	44.4	61.1	17.5	158.8
2025	40.8	51.6	64.7	21.5	178.6
1Q2025	9.9	12.3	15.7	4.9	42.8
2Q2025	10.0	12.4	16.3	5.2	43.9
3Q2025	10.5	12.9	16.5	5.5	45.4
4Q2025	10.5	14.0	16.2	5.7	46.4

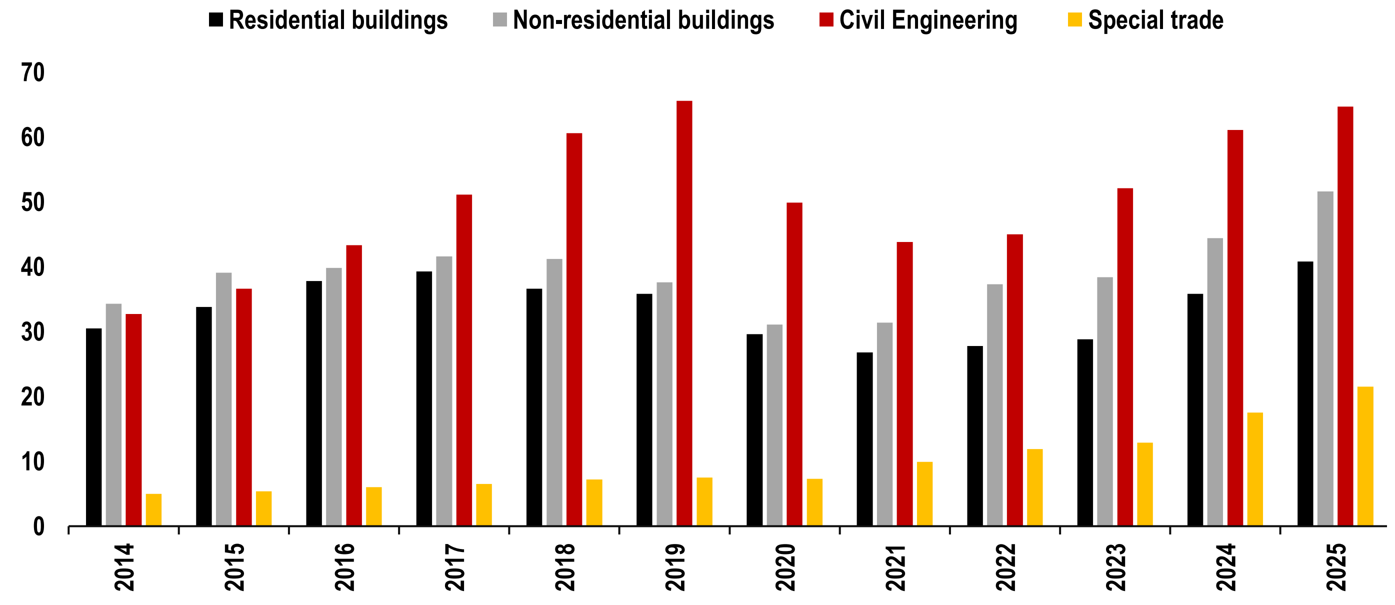
Sources: DOSM, AmBank Economics

Exhibit 4: Value of works done in the construction sector, by subsector (% growth y/y)

	Residential buildings	Non-residential buildings	Civil Engineering	Special trade	Total
2014	22.2	17.1	1.2	16.7	12.8
2015	10.9	13.9	11.9	8.0	12.1
2016	11.7	1.7	18.4	9.6	10.3
2017	4.0	4.5	17.9	9.2	9.2
2018	-6.9	-0.8	18.6	10.2	5.1
2019	-2.3	-8.8	8.3	4.2	0.6
2020	-17.2	-17.1	-24.0	-2.1	-19.4
2021	-9.3	0.8	-12.1	35.8	-5.0
2022	3.4	18.7	2.7	19.6	8.8
2023	3.7	3.1	15.7	8.5	8.4
2024	24.5	15.5	17.3	35.9	20.2
2025	14.0	16.2	5.9	22.9	12.5
1Q2025	27.0	21.0	3.7	35.5	16.6
2Q2025	13.9	16.2	7.5	22.2	12.9
3Q2025	11.6	10.0	8.9	15.3	10.6
4Q2025	5.9	18.6	3.6	21.1	10.3

Sources: DOSM, AmBank Economics

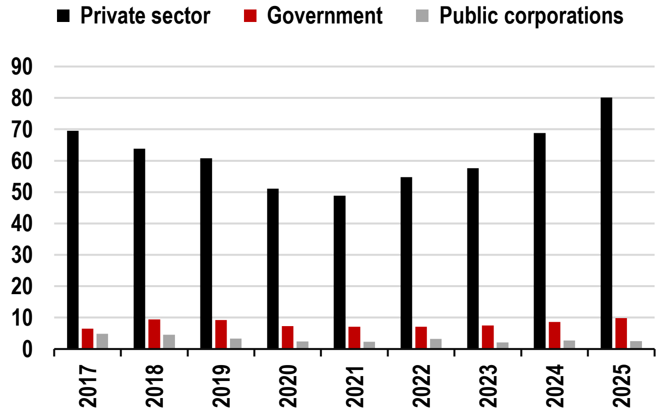
Exhibit 5: Value of works done in the construction sector, by subsector (MYR billion)



Sources: DOSM, AmBank Economics

Exhibit 6: Value of works done in the residential and non-residential subsectors (MYR billion) by project owner

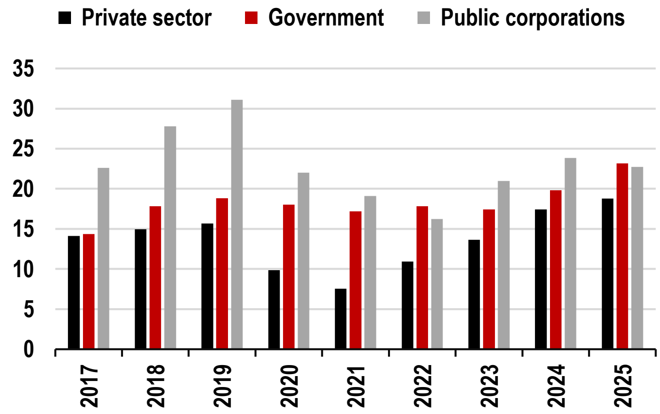
The private sector leads by far in the residential and non-residential construction subsectors.



Sources: DOSM, AmBank Economics

Exhibit 7: Value of works done in the civil engineering subsectors (MYR billion) by project owner

The government sector and public corporations lead activities in infrastructure construction.



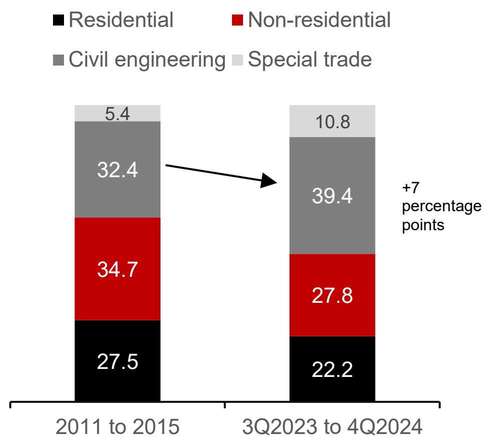
Sources: DOSM, AmBank Economics

1.3 Demand for infrastructure and real estate drove sector growth

Major drivers of 2022-2025 sector growth, based on GDP data, were ongoing progress on infrastructure projects and growth in the non-residential and special trade subsectors. Special trades also accounted for a decent share of the sector's value, including site preparation and electrical installation for civil engineering and industrial projects. In any case, the 17.5% overall sector growth in 2024 (Exhibit 1) was the highest in over a decade, before falling to 12.3% y/y in 2025. In addition, looking at the value of works done, the 20.2% y/y growth in 2024 (Exhibit 4) was the largest in over a decade, before registering 12% y/y in 2025. We note the residential subsector being the leading contributor to growth. However, by our estimate, all subsectors contributed to sector growth over the past decade.

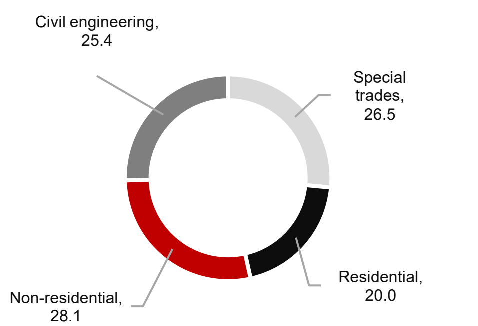
Rising role of infrastructure investments. The pace of growth in the civil engineering subsector in recent years was driven by continued progress on multi-year projects, particularly in the transportation segment. Works done in civil engineering grew 17.3% in 2024 (2023: 15.7% and 2022: 2.7%), though it dropped to 5.9% y/y in 2025 (Exhibit 4). However, the drop in the growth rate in 2025 was due to the completion of various infrastructure projects during the year. Yet, we expect a healthy growth rate to resume from 2026 onwards, as we shall expound in the Outlook section. In past decades, we have already noted that growth in the civil engineering subsector was due to the implementation of various infrastructure projects, comprising various high-cost utilities projects such as power plants/distribution networks, natural gas plants and pipelines, and water supply, as well as transportation infrastructure of various highways and rail networks. However, the role of civil engineering continues to remain pivotal to the sectoral growth. BNM notes[1] that the share of civil engineering to the value of construction work done increased from an average of 32.4% in 2011-15 to 39.4% in 3Q2023-4Q2024. In the recent couple of years, civil engineering growth was supported by continued investments into areas of physical connectivity (roads/highways and rail transit in not just Klang Valley but also in Johor and Penang), more energy/electricity projects led by moves into low carbon emissions (hydroelectric and solar parks and electric vehicle charging stations). There are also investments in carbon capture and storage (CCS) and flood mitigation works. We highlight the major high-cost projects, including the East Coast Rail Link (ECRL), Pan Borneo Highway Sabah, Johor Bahru-Singapore Rapid Transit System (RTS) Link.

Exhibit 8: Value of construction work done by sub-sector (% of total), reflecting a rise in the share of the civil engineering sub-sector.



Sources: BNM, DOSM

Exhibit 9: Value added in the construction sector, 4Q2025, (% of total)



Sources: BNM, DOSM

[1] Economic and Monetary Review 2024, Bank Negara Malaysia

Infrastructure spending contributed to strong public investment levels. Public investment posted rise of 10.3% in 2025 (2024: 11.1%), including direct government investment into fixed assets and expansion by public corporations, primarily in transportation projects such as the East Coast Rail Link (ECRL), Pan Borneo Highway Sabah, the Johor Bahru–Singapore Rapid Transit System (RTS) Link and the Sarawak Sabah Link Road (SSLR). Public corporations' investments include renewable energy and sustainability projects such as solar and hydropower projects, and Hybrid Hydro-Floating Solar (HHFS) Photovoltaic systems.

The activity of 'real estate', as per DOSM's GDP calculation, is grouped under the Services sector, with its value-added contribution usually included in the 'Business Services' subsector. **As it were, the residential construction subsector benefits from strong housing demand**, driven by improved incomes, employment, and population/urbanisation trends. Nevertheless, the value of works done in residential building construction has only very recently shown impressive performance. CAGR of works done was +0.01% during the period 2015-2024. There were contractions in 2018 (-6.9%), 2019 (-2.3%) and 2020 (-17.2%). However, growth was far more impressive at +24.5% in 2024 vs 3.4% in 2022 and 3.7% in 2023. Despite the staggered construction works, we can still surmise the healthy long-term demand trend for housing in Malaysia, as we note that the volume of residential transactions rose at an average of 3.7% per annum over the 10 years up to 2024, reaching 261k units in 2024, up from 151k in 2023. On a CAGR basis, 2015-2024 was +0.01% for 2015-2024. This brings far greater hope for a more active residential subsector in the coming years, as we foresee continued improvements in wages and population/urbanisation.

Exhibit 10: Residential subsector vs Malaysia population and income indicators

	2020	2021	2022	2023	2024	2025
Residential construction work done (MYR million)	29,609	26,845	27,769	28,784	35,843	40,836
Residential property transaction volume	191,354	198,812	243,190	250,586	260,516	256,512 Moderated in 2025
Residential property transaction value (MYR million)	65,873.70	76,901.86	94,276.18	100,930.00	106,920.00	108,270.00
Residential property transaction volume (MYR300k and under)	118,065	111,101	135,616	132,353	136,806	134,055
Residential units launched	47,178	43,860	54,118	56,526	75,784	64,487
Residential units sold (sales performance %)	13,560 (28.7%)	172,37 (39.3%)	19,497 (36.0%)	22,861 (40.4%)	28,280 (37.3%)	22,876 (35.5%)
Residential Overhang [2](units)	29,565	36,863	27,746	25,816	23,149	26,911 (1H2025)
Malaysia House Price Index (2010=100)	200.3	202.7	209.8	218.3	227.3	233.1
MHPI (annual change %)	1.2	1.2	3.5	4.1	3.3	2.6
Malaysia population ('000)	32,447.4	32,576.3	32,698.1	33,401.8	34,052.1	34,231.7
Malaysia's median age	29.7	30.1	30.4	30.7	30.9	31.3
Malaysia's labour force (million)	15.7	15.8	16.0	16.4	17.3	NA
Number of living quarters ('000)	9,614.1	9,866.8	10,123.2	10,383.8	10,648.7	10,917.8
Average household size	3.9	3.9	3.8	3.8	3.7	3.7
Number of households ('000)	8,234.3	8,447.2	8,662.7	8,881.9	9,104.6	9,330.9
Population density (people per sq. km of land) (Source: DOSM)	98	99	99	101	103	104
Population density (people per sq. km of land) (Source: World Bank)	103.1	104.3	105.6	106.9	NA	NA
Mean household income	NA	NA	8,479	NA	9,155	NA

Sources: DOSM, NAPIC, MOF, Ministry of Economy, World Bank, Trading Economics, AmBank Economics

[2] Starting January 1, 2003 "property overhang" has been defined as residential, commercial and industrial units that have been completed and issued with a Certificate of Completion and Compliance / Temporary Certificate of Fitness for Occupation but remained unsold for more than nine months after it was launched for sales on or after 1st January 1997. (Source: NAPIC)

Population growth, urbanisation and income trends reflect the demand for housing. *Average growth of residential works of about 2.2% per annum in the 10 years up to 2024 and transaction volume per annum growth of 3.7%* compares favourably with the country's population average growth of 0.9% per annum during the same period — meaning every percentage point in population growth could potentially bring 2%-4% rise in residential construction activity and property transactions. We also see other population trends that support ongoing demand for increased housing. For instance, *the median age in the country has increased from 29.7 years in 2020 to 30.9 years in 2024; i.e., there should be more people who may be demanding more housing (either buying or renting), as this is an indicator of a* rising *working population*. We also note that the *number of living quarters* in Malaysia rose from 9.6 million in 2020 to 10.6 million in 2024. Average *household size* has, in contrast, fallen to 3.7 in 2024 from 3.9 in 2020, while the number of households increased to 9.1 million in 2024 from 8.2 million in 2020, which, to us, is a sign of increased urbanisation. World Bank data indicate that the percentage of the urban population in Malaysia relative to the overall population has increased from 66% in 2005 to 74% in 2015, and to 79% in 2024. Furthermore, we note that *the country's population density* increased to 103 per square km in 2024 from 98 in 2020. Long-term ***income*** growth in the country further supports our view that housing demand will continue to grow. We note that mean household income levels in Malaysia grew from MYR2,472 in 1999 to MYR9,155 in 2024, or a CAGR of 5.4%.

However, the residential subsector can be volatile, and interest rate direction can also be a significant factor in demand/transactions. This is reflected in transactions and work data from the past decade. Residential property transactions (in volume or units transacted) in Malaysia have continued to grow, with 3.9% in 2021, 22.3% in 2022, 3.0% in 2023, 4.0% in 2024, but contracted by 1.5% in 2025. Thus, the subsector can be volatile. Based on NAPIC data, property transactions in the lowest-cost housing segment (priced at MYR300k and under) experienced some contractions in 2021-2023. We likely attribute the contractions in residential work done prior to 2022 not to demand alone, but to a mismatch between demand and supply. Data from NAPIC also show that unsold residential properties surged in 2018-2019, especially in very high-cost properties (houses MYR250k-MYR1.0 million), after the 2014 restrictions on foreign buyers. Clearly, lower-cost housing remained in relatively firmer demand; it's just that there was a greater focus on building higher-cost houses prior to 2020, leading to a rise in unsold properties and slower building activity thereafter. Meanwhile, the low OPR of 2.75% in 2025 contributed to the housing demand. Even though the volume of housing transactions fell 1.5% in 2025, the value of transactions grew 1.3% (2024: 5.9%).

Lastly, **non-residential** construction remains a very prominent subsector. In 2025, the value of works done in the non-residential construction sector totalled a sizeable MYR51.6 billion vs. MYR44.4 billion in 2024. In 2025, the non-residential construction subsector accounted for 29% of the total value of construction works. During 2014-2016, it averaged 33%. Growth in the works done was also impressive (See Exhibit 4). Value of works done in non-residential activity grew 16.2% y/y in 2025 vs 15.5% in 2024. In the period 2014-2023, the average growth was 3.3%. The strong growth in subsector activity comes alongside recent strong growth in Malaysia's GDP and investments. According to MIDA, as of June 2025, there were 1,049 approved investment projects worth MYR 58.8 billion. And we think this buoyed services and manufacturing, an activity which drove demand for industrial buildings, logistics facilities, data centres, and commercial spaces.

2 BOND MARKET AND THE CONSTRUCTION SECTOR

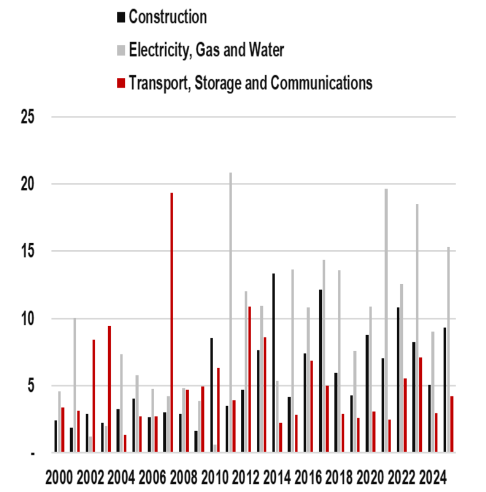
2.1 Malaysia's Construction Sector Relies on Quasi-Sovereign and Corporate Issuers

The fixed-income market is a major financing source for construction activities, accounting for at least 25% of all corporate bonds issued since 2000. The construction sector, which involves long-term projects and very high costs, heavily relies on financing from the fixed-income market. The debt market has access to a larger pool of very large institutional investors (locally and abroad) that are more attuned to longer-term returns. Using data sourced from BNM, we estimate that from 2001 to 2025, ringgit-denominated debt securities (including sukuk) issued in Malaysia related to the construction and infrastructure activities — comprising BNM-defined subsectors of *1) Construction, 2) Electricity, gas and water, and 3) Transport, storage and communications* — totalled **MYR530 billion**. We note that MYR10.4 billion was issued in 2000 and rose to MYR33.8 billion in 2023, though it fell to MYR17.0 billion in 2024 amid the completion of various infrastructure projects in the country and the lack of new projects announced in 2024. However, the amount issued in this category rose to MYR28.8 billion by 2025. By comparison, total MYR corporate bonds issued during the period were MYR2.1 trillion, making construction **25%** of all corporate bonds issued in the past 25 years. However, in addition to this, we think it needs to include bond issuances to fund activities in the *real estate* subsector in this mix; for our inspection of current debt facilities, such as those issued by UEM Sunrise (MARC-A/AA-), include utilisation of funds for project development and infrastructure costs. Data from BPAM indicate gross issuance under *'real estate' averaged **MYR21.9 billion** in 2022-2025*. Comparing the construction value of works done in the 10 years 2015-2024 of MYR1.3 trillion, including for 'real estate' construction activities, BPAM and BNM data indicate the issued corporate bonds (for?) totalled at least MYR1.2 trillion in 2015-2024.

Other related bonds — the government's role in the housing subsector includes construction of housing itself and the establishment of agencies to ease financing for housing. These include:

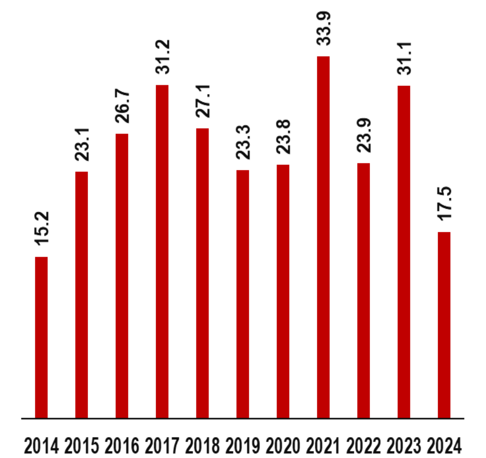
- **LPPSA** or the Public Sector Home Financing Board. Its main role is to hold funds for the provision of loans to government servants. Net assets held at LPPSA were MYR51.2 billion as at its FY2024. Additionally, it raises funding through the bond market by issuing GG LPPSA bonds. Outstanding LPPSA bonds stand at MYR54.3 billion as of October 2025. LPPSA first issued debt securities in 2016, and a precursor to LPPSA bonds was the government's issuance of **Sukuk Perumahan Kerajaan** (SPK) (housing sukuk) to facilitate public servant housing financing. In 2012, the government issued MYR2.5 billion in SPK debt, and another MYR2.6 billion in 2014. SPK bonds have all matured.
- **Housing Credit Guarantee Scheme**. This is a program in which MOF Inc established Syarikat Jaminan Kredit Perumahan (SJKP) in 2007 to provide a housing credit guarantee scheme for several targeted groups seeking home ownership. Several domestic banks provide financing for homebuyers. Total guarantees at SJKP exceed MYR22 billion to date.
- **PR1MA Corporation Malaysia (PR1MA)**, which is a government-owned affordable housing developer, and purchasers need to be approved by the company based on select criteria, including total monthly household income between MYR2,500 and MYR15,000. PR1MA has a MYR5.0 billion sukuk program, of which MYR3.0 billion is outstanding.
- **Cagamas Berhad** or the National Mortgage Corporation of Malaysia. Established in 1986, Cagamas issues bonds/sukuk to finance the purchase of housing loans and receivables from financial institutions, corporations and the public sector. Cagamas' activity raises liquidity and encourages further financing of houses at affordable costs. Current outstanding Cagamas

Exhibit 11: Issue amount of corporate bonds for construction-related activities (not including real estate transactions) (2000-2025) (MYR billion)



Sources: BNM, AmBank Economics

Exhibit 12: AmBank estimate of fixed income financing for civil engineering works (2014-2024)



Sources: BPAM, AmBank Economics

bonds/sukuk total MYR49.2 billion. There was a MYR2.41 billion mortgage-backed securities (MBS) facility, which matured in February this year.

2.2 Debt securities drive infrastructure activities, especially via government-guaranteed (GG) bonds/sukuk

Specifically for civil engineering/infrastructure, construction works done in 2016-2025 were **MYR537 billion.** In that time, the corporate bond issuances for *1) Electricity, gas and water*, and *2) Transport, storage and communications* totalled **MYR174 billion**. The data does not include issuances by *Danainfra Nasional Berhad* (GG), as Danainfra's issuances are categorised under the 'public finance' subsector. In any case, Danainfra issued a large **MYR93.7 billion** worth of fixed income securities during 2016-2025. By this estimate, bonds had financed slightly more than half (49.9%) of total engineering/infrastructure works completed in 2015-2024.

Government off-balance sheet funding — private and public sector partnerships (PPP)/project financing as a mode for financing. Alongside growth in civil engineering works and bond financing for infrastructure, we note that the favoured mode of project development and financing is Public-Private Partnerships (PPPs). PPP in project development, especially, paved the way for private-sector issuers to tap the bond market for construction, often through project finance. In essence, borrowings via the conduit of PPP (and GGs) allow the government to use off-balance-sheet funding. In Malaysia's context, the PPP structure involves transferring responsibility for constructing or acquiring the country's infrastructure to the private sector. Depending on the specific case, the private sector entity could either own or manage the infrastructure, and the gains/cash flow from the involved projects would then accrue to the private sector entity. Currently, there are two PPP funding models: namely, the user-pay model (fully funded by the private sector) and the co-financing model (jointly funded by the government and private sector).

In the past, government agencies were also corporatised to allow them greater access to financing and expertise, enabling them to undertake infrastructure investment and projects themselves as private (or semi-private) sector entities. The PPP initiative, initially taken in Malaysia in the 1980s[3] Under the Malaysia Incorporated Policy in 1981, the concept of privatisation was introduced, and the corporate entities Telekom Malaysia Berhad and Tenaga Nasional Berhad were established, replacing the government's provision of telecommunications and power utilities (via Jabatan Telekom and Lembaga Letrik Negara, respectively). Since the 1980s, PPP projects have included highway construction, power plants, rail transit, and other infrastructure. PPP projects in the past include the North-South Highway (Projek Lebuhraya Utara-Selatan Berhad as the bond issuer) and KLIA airport (KL International Airport Berhad). In PPP, *the partnership modes include* Build-Operate-Transfer (BOT), Build-Lease-Maintain-Transfer (BLMT), and Private Finance Initiatives (PFI). One major characteristic in the past was that the private sector was given the role (under a concession agreement with the government) to operate (or operate and maintain) the infrastructure facilities, and cash flows generated from the infrastructure/utilities/plant, etc., would first be used to service the debt. Still, thereafter, profits could be shared by the operator with the public sector if the concession agreement so provides, or if there is a lease payment under a BLMT partnership. As of June 2025, there were 108 PPP projects under the co-financing model, with total outstanding financial commitments to the Government amounting to MYR112 billion (+5.9% from end-2024). There were several new PPP projects, including asset leasing, waste-to-energy, and agricultural irrigation projects. According to the Public-Private Partnership Unit of the PM's Department, from 2009 to 2023, PPP projects contributed MYR50.5 billion to Malaysia's GDP and created 696,061 jobs.

Exhibit 13: Economic Contribution of PPP Projects in Malaysia (2009-2023)

Sector	Economic Contribution of PPP Projects in Malaysia to GDP (MYR billion)		
	Total	Direct	Spillover
Transportation & Storage and Information & Communications	22.6	6.5	16.1
Government Services	18.6	6.5	12.1
Finance & Insurance and Real Estate & Business Services	7.3	2.3	5.0
Agriculture	1.5	0.6	0.9
Utilities	0.5	0.1	0.4
TOTAL	50.5	16.0	34.5

Sources: Public Private Partnership Unit of the PM's Department

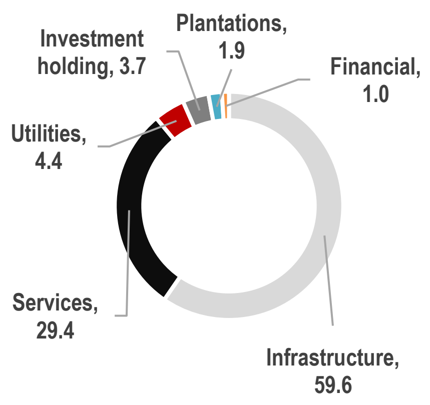
[3] Public-Private Partnership Master Plan 2030, Public Private Partnership Unit of the Prime Minister's Department, Malaysia,

A natural progression from PPP in infrastructure investment is *project finance*.

Project financing involves setting up a special-purpose vehicle (SPV), i.e., a separate entity from the shareholders, to undertake the project, raise related financing (either via loans or the issuance of debt securities), and service and repay the debt. Thus, there is no, or limited, financial/credit recourse to the owners' balance sheet. The projects' viability will largely depend on each project's projected cash flow. Nevertheless, the past track record of the so-called project *sponsor* (usually the SPV's shareholder) is also considered to gauge the project's creditworthiness. A project sponsor is the individual or corporation that provides the financial resources to initiate the project. Especially for greenfield (new) projects that have not yet generated cash flows, the sponsor's financial strength is typically considered.[4]. This is particularly important for credit rating agencies (CRAs) when they bestow a credit rating on the project.

Government Guarantees (GGs). Further to the growth of the construction sector in Malaysia, there was a rise in public corporations/agencies (acting as project owners/sponsors) that issued debt with explicit federal government support. This support involves government guarantees (GG) for capital repayment and servicing of interest/profit rate charges. GG debts, including already-matured facilities, had included issuances by Danainfra Nasional Berhad, Prasarana Malaysia Berhad, Pengurusan Air SPV Berhad, Pelabuhan Tanjung Pelepas Sdn Bhd, Malaysia Rail Link Sdn Bhd, Jambatan Kedua Sdn Bhd, and Senai Airport Terminal Services Sdn Bhd. Also included are residential construction-related government agency issuers Lembaga Pembiayaan Perumahan Sektor Awam and PR1MA Corp Malaysia. Market jargon for bonds/sukuk issued with government guarantees is 'GG bonds/sukuk'.

Exhibit 14: Guarantees under Act 96 by Segment, June 2025, (% of total)



Sources: MOF

The government now classifies its guarantees under four Acts, namely,
1. Financial Procedure Act 1957 [Act 61],
2. Loans Guarantee (Bodies Corporate) Act 1965 [Act 96],
3. Loan Guarantee Act 1963 [Act 412] and
4. Loan Guarantee Act 1972 [Act 66].

Guarantees a target set at 25% of GDP, with an unspecified target date. The guarantees under the above four Acts are collectively defined as 'Financial Guarantees' of the Malaysian government, after the introduction of Act 850 in 2023. Act 850 [or the Fiscal Responsibility Act (FRA) of 2023] was enacted to facilitate the pursuit of fiscal reductions. Schedule 1 of the FRA sets the government's debt ceiling target at 60% of GDP, targeted for an undefined deadline of 3-5 years in the future. Of that 60% limit, Financial Guarantees are to be limited at 25% of GDP.

GGs provide an avenue for government off-balance-sheet funding whilst offering lower costs than corporate bonds. A major benefit of the government allowing quasi-government entities and GLCs to issue debt securities, including GGs, is that it can finance infrastructure development in the country without issuing MGS+GII and thereby raise funds off balance sheet. Also, applying the GG allows quasi entities to tap the bond market for more favourable borrowing costs than by issuing merely rated private debt securities (PDS) or corporate bonds. A comparison yields (and spreads) that we explore in the next section, specifically focused on the construction sector.

[4] Rating Methodology, Project Finance, MARC Ratings Berhad, January 2022.

Exhibit 15: Public sector debt (2024 vs Jun 2025)
Including guaranteed portions of government debt

	MYR billion		Share of GDP (%)	
	2024	2025	2024	2025
Federal Gov	1,247.6	1,304.2	64.6	64.7
Domestic	1,219.6	1,281.4	63.1	63.6
Offshore	28.0	22.8	1.4	1.1
Statutory Bodies	101.9	105.0	5.3	5.2
Domestic	101.9	105.0	5.3	5.2
Of which guaranteed	**101.9**	**105.0**	**5.3**	**5.2**
Offshore	0	0	0	0
Non-financial public corporations	311.0	321.4	16.1	15.9
Domestic	188.6	189.1	9.8	9.4
Of which guaranteed	**188.6**	**189.1**	**9.8**	**9.4**
Offshore	122.5	132.3	6.3	6.5
Of which guaranteed	**39.0**	**38.8**	**2.0**	**1.9**
Total	1,660.5	1,730.8	85.9	85.8
Guaranteed portion	329.5	332.9	17.1	16.5

Sources: MOF, AmBank Economics

Exhibit 16: Financial guarantees (2024 vs. Jun 2025)

	MYR billion		Share of GDP (%)	
	2024	2025	2024	2025
Guarantees under Act 96	332.8	336.1	17.2	16.7
Guarantees Under Act 61	84.0	88.6	4.4	4.4
Undertakings and Supports	30.7	31.2	1.6	1.5
Guaranteed Schemes	53.3	57.5	2.8	2.9
Total	416.8	424.7	21.6	21.1

Sources: MOF, AmBank Economics

Outstanding guarantees amount at MYR424.7 billion or 21.1% of GDP. At the unveiling of Malaysia's Budget 2026 in October this year, the Finance Ministry stated that total Financial Guarantees were MYR424.7 billion as at mid-2025 (MYR416.8 billion at end-2024), comprising MYR336.1 billion under Act 96 (MYR332.8 billion at end-2024) and MYR88.6 billion under Act 61 (MYR84.0 billion at end-2024). There was no outstanding amount under **Act 412** and **66** at the time. At MYR424.7 billion as at mid-2025, this was **21.1% of GDP** (21.6% at end-2024) and compares favourably with the FRA limit of 25% of GDP.

- The debt under **Act 96** is the main 'guarantee' conduit of the government (issued by GLCs and statutory bodies), and this was used to finance projects related to **public transportation** and strategic investments, as well as for education and civil servants' housing loans (in other words, guarantees mainly related to the construction sector). Under this, you can find GG bonds issued by construction-related names such as Danainfra Nasional and Malaysia Rail Link (see Exhibit 17 for a list of GG bonds under Act 96).
- Based on segments, **infrastructure** remains the largest recipient, at for 59.6% of total outstanding guarantees at June 2025. These were primarily for major public transportation projects such as the East Coast Rail Link (ECRL), Mass Rapid Transit (MRT), Light Rail Transit 3 (LRT3), highways and home financing.
- Moreover, there is also a heavy slant towards a group of issuers, as we note the 10 largest recipients account for over 91.9% of Act 96 guarantees.
- Also, 88.5% of the guarantees are denominated in MYR, limiting the currency exchange risk.
- The weighted average tenor of Act 96 debt was at 10.7 years, with more than half (53.5%) extending more than 10 years.

- Meanwhile, guarantees under **Act 61** are two-pronged.
  - First is guarantees for 'undertakings and supports', i.e., for specific purposes of corporate restructuring, temporary financial assistance, and strategic investments. As of June 2025, the outstanding amount

under this category was MYR31.1 billion (1.5% of GDP), of which guarantees for Urusharta Jamaah Sdn Bhd (UJSB) (under Tabung Haji asset restructuring) accounted for the largest share at 78.1%.
  - The second is public 'guarantee schemes' which serve as a policy tool to boost economic activity and sectoral support. These include guarantees for business loans under Syarikat Jaminan Pinjaman Perniagaan Berhad (SJPP), a scheme for house buyers under Syarikat Jaminan Kredit Perumahan Berhad (SJKP), and a scheme to promote green financing through the Green Technology Financing Scheme (GTFS).

Committed Guarantees. There is also a section of Financial Guarantees, classified as 'Committed Guarantees', in which recipients obtain financial allocations from the Government to ensure the 'continuation and viability' of strategic projects or programs. The allocation could be in the form of cash injections, working capital provision or provision for interest servicing. In other words, Committed Guarantees crystallise financial provisions or assistance from the government. At the end of June 2025, committed guarantees were 55.8% of total outstanding financial guarantees under Acts 96 and 61, or MYR237.1 billion, compared with MYR237.1 billion at the end of 2024. Committed guarantees as of mid-2025 include MYR87.0 billion under Danainfra Nasional, MYR52.4 billion under MRL, and MYR42.2 billion under Prasarana Malaysia.

Not all government financial guarantees are directed at the construction sector. Of the MYR336.1 billion outstanding guarantees under Act 96, other than the 59.6% issued for the infrastructure subsector, there is also 29.4% under the services sector (tertiary student loans and civil servants' home financing), 4.4% for utilities (non-infrastructure), 3.7% for investment holding and 1.9% plantations.

Non-GG quasi-government bonds. Meanwhile, instead of merely issuing GG bonds to fund infrastructure/construction activity, we have noted government-related entities (including those formerly relying on GGs) have expanded into issuing corporate non-GG bonds. These further move the debt (and costs) off the government's balance sheet and **contingent liabilities** off the government's books.

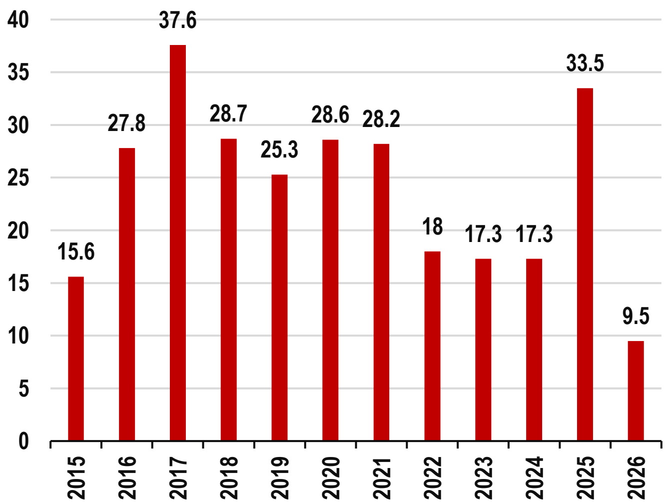
- These issuers include **Pengurusan Air SPV**, which, prior to 2018, had issued GG bonds of more than MYR13.0 billion but now has outstanding non-GG bonds (AAA rated) of MYR22.1 billion.
- Other issuers like this include **PTP Sdn Bhd** and **Bakun Hydro Power Generation** Sdn Bhd.
- These join traditional non-GG issuers and are largely responsible for infrastructure construction, including names such as GLCs like **Tenaga Nasional**, and state-owned water supply companies such as **Syarikat Bekalan Air Selangor (Syabas)**. Of course, the various IPPs (independent power producers) and highway projects (operating under the PPP program) typically issue non-GG bonds or sukuk, though these bonds would normally be rated domestically.

Exhibit 17: Major Recipients of Guarantees under Act 96 (2024 vs. 2025)

Entity	MYR billion		Share (%)		Share of GDP (%)	
	2024	2025	2024	2025	2024	2025
DanaInfra Nasional Berhad	85.1	87.0	25.6	25.9	4.4	4.3
Lembaga Pembiayaan Perumahan Sektor Awam	48.6	53.7	14.6	16.0	2.5	2.7
Malaysia Rail Link Sdn. Bhd	50.3	52.4	15.1	15.6	2.6	2.6
Prasarana Malaysia Berhad	42.0	42.2	12.6	12.5	2.2	2.1
Perbadanan Tabung Pendidikan Tinggi Nasional	41.5	40.0	12.5	11.9	2.1	2.0
Projek Lebuhraya Usahasama Berhad	11.0	11.0	3.3	3.3	0.6	0.6
Federal Land Development Authority (FELDA)	6.9	6.5	2.1	1.9	0.4	0.3
Pengurusan Air SPV Berhad	6.5	6.1	1.9	1.8	0.3	0.3
Suria Strategic Energy Resources Sdn. Bhd.	5.4	5.0	1.6	1.5	0.3	0.2
1Malaysia Development Berhad	5.0	5.0	1.5	1.5	0.3	0.2
Total of top 10 recipients	**302.2**	**308.7**	**90.8**	**91.9**	**15.7**	**15.3**
Other Recipients	30.6	27.4	9.2	8.1	1.5	1.4
Total guarantees	**332.9**	**336.1**	**100.0**	**100.0**	**17.2**	**16.7**

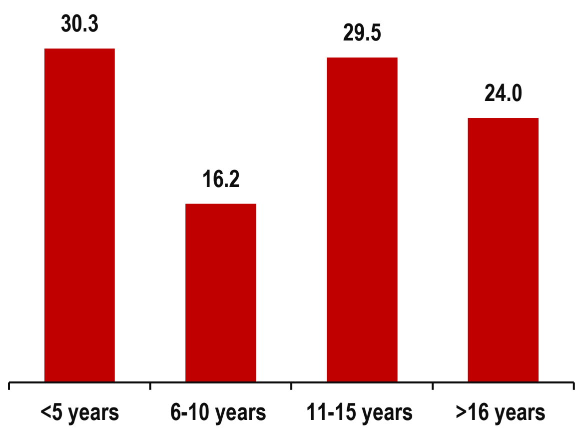
Sources: MOF, AmBank Economics

Exhibit 18: GG bonds gross issuance 2015-March 2026 (MYR billion)



Sources: BPAM, AmBank Economics

Exhibit 19: Maturity Profile of Guarantees under Act 96 (% of total)



Sources: MOF, AmBank Economics

3 CONSTRUCTION SECTOR OUTLOOK

3.1 Demand-Supply Conditions and Spillover Effects on Malaysia's economic growth

We foresee a firm growth outlook for the construction sector over the next five years, at least.

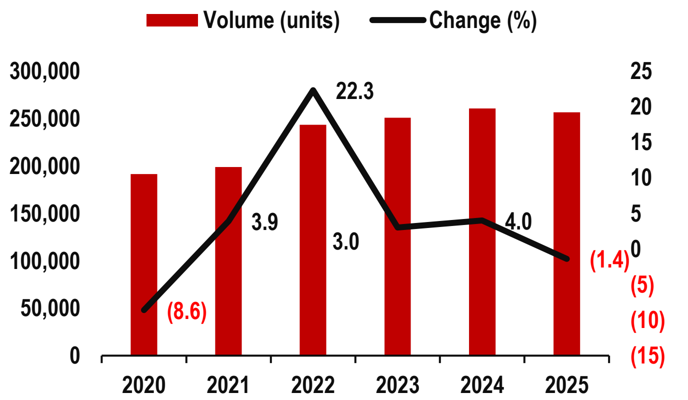
3.2 Residential subsector

Urbanisation, population*, and *income* trends support growth in the residential subsector**. The CAGR of the construction sector work on residential buildings is estimated at 6.2% per year over 2021-2025. On the ***demand side, we foresee housing demand sustaining into the longer term, even though some volatility in the residential market could be expected. Nevertheless, as urbanisation, population growth, and wage growth are long-term trends, the firm's pace should be sustained over the next 1-5 years. To recap, residential property transactions increased by 4.0% in volume and 5.9% in value in 2024, before dropping by 1.4% and 1.3%, respectively, in 2025. Volume of residential transactions, after declining 8.6% in 2020 amid COVID-19, soon rose 3.9% in 2021, then surged 22.3% in 2022 and 3-4% in 2023-2024. Value of transactions after a 9.0% drop in 2020 rose 16.7% in 2021, 22.6% in 2022, +7.1% in 2023, and +5.9% in 2024. We note that Malaysia's population grew at an average annual rate of 0.9% over the 10 years to 2024. Meanwhile, even as the number of living quarters increased from 9.6k in 2020 to 10.6k in 2024 and 10.9k in 2025, average household size continued to fall (from 3.9 persons in 2020 to 3.7 in 2025), reflecting continued urbanisation and firm prospects for housing demand. Further, we note that the mean household income in Malaysia grew from MYR2,472 in 1999 to MYR9,155 in 2022, for a CAGR of 5.4%. We also note that residential subsector works done were MYR35.8 billion in 2024, up 24.5% vs a smaller 3.7% in 2023, and continuing with +14.0% in 2025. CAGR over 10 years up to 2024 was 1.6%, which is not bad vs average population growth of 2.0% in 2024, 2.2% in 2023, 0.4% in 2022, and 0.4% in 2022. Signs of a housing recovery, as the number of living quarters is expected to reach 10.9 million in 2025, up from 10.6 million in 2024 and 10.4 million in 2023. And signs of urbanisation as population density surged to 104 persons per square km in 2023 from 98 in 2020. Population ageing has continued to accelerate, with the median age of Malaysians rising to 31.3 in 2025 from 29.7, suggesting more of the population may be seeking more housing (either to buy or rent).

However, 2025 data showed some consolidation, largely due to rapid activity leading up to 2025 and the economic growth risks it faced. As mentioned, residential property ***transactions*** grew 3.9% in 2021, 22.3% in 2022, 3.0% in 2023, 4.0% in 2024, but contracted by 1.5% in 2025. Even though volume fell 1.5% in 2025, transaction value grew 1.3% (2024: 5.9%). In 1H2025, unsold residential units in Malaysia rose 4.1% to 44,794 units (estimated at MYR30.9 billion). Residential property overhang increased to 26,911 units by the end of 1H2025 (+16.3% compared with 1H2024), and up to MYR16.4 billion (+17.9% from 1H2024). The definition of 'overhang' is if the property construction is completed but not sold after nine (9) months. More than 2/3 of the overhang has been on the market for over five (5) years; hence, the issue is more a longer-term trend than a short-term one, and it would attenuate our opinion of a market supply-demand imbalance, especially given location, price and affordability. By state, WP Kuala Lumpur recorded the highest number of unsold completed residential units in Malaysia (3,643 units, or 13.5% of the national total), as well as the highest unsold completed value of MYR3.16 billion, ahead of Johor (MYR2.76 billion) and Selangor (MYR1.98 billion). In terms of price range, affordable houses priced below MYR300k accounted for the largest share at 36.1% (9,710 units) of total unsold completed units. Houses priced above MYR1.0 million comprised the least at 11.6% (3,125 units). In terms of ***supply,*** in 2025, completed residential units in Malaysia totalled 99,877 units, up 21.6% (2024: +9.7%). By state, Selangor remained the highest contributor at 22.7% (22,691 units), followed by Johor with 10.3% (10,261 units) and WP Kuala Lumpur at 10% (9,958 units). By property type, the focus of supply shifted toward condominium/apartment units, accounting for 33% (32,911 units) of the country's total, followed closely by two- to three-storey terraced houses at 28.4% (28,373 units).

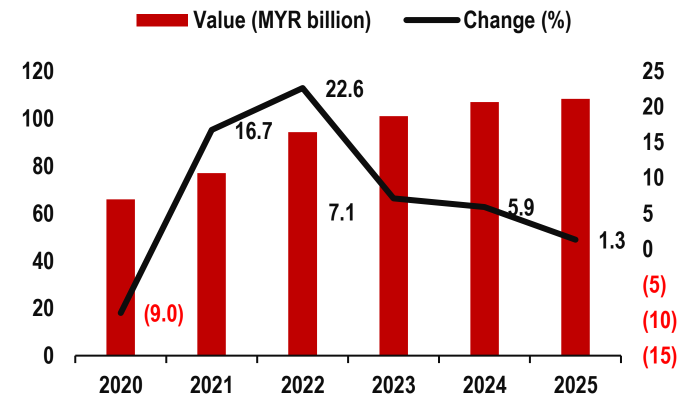
But longer-term prospects could continue a firmer trend. After a 20.6% rise in residential property construction starts in 2024, the number fell by 22.7% in 2025 to 82,097 units. The planned supply for 2025 also fell to 75,370 (-25.0% after a 24.1% rise in 2024). The housing market is undergoing a short-term consolidation. We know 2025 macroeconomic sentiment was affected by external risks (tariffs, etc). Plus, housing developers grew a tad worried about future sales amid the active construction phase in recent years. As supply consolidates, this raises the prospect of more sustained demand and residential subsector transaction levels in the coming few years. In 2025, the total number of residential unsold completed units was 30,471, valued at MYR17.73 billion. This is a y/y increase of 31.6% in volume and 27.2% in value, compared to 2024 (23,149 units worth MYR13.94 billion). Unsold but not constructed property saw a substantial increase of more than 70%, reaching 14,625 units (2024: 8,274 units), mostly concentrated in Selangor and WP Kuala Lumpur; suggesting unnecessary construction activity is being avoided, and as supply looked to declining to normalise with demand, Prior to 2025, though Kuala Lumpur's residential market was seeing a threat of substantial increase after the active planned supply, rest of the country supply was trying to catch up, both vs demand and vs uneven growth in recent years. In 2024, housing completions rose 9.7% to 82,135 units, up from 4.0% in 2023. We note that housing completions had declined (1-12% per annum during 2020-2022), while completions and planned supply fell by 9-10% in 2023. After drifting lower by -9.9% (housing starts) and 9.1% (new planned supply) in 2023, these rose 20.6% and 24.1%, respectively, in 2024.

Exhibit 20: Residential Transactions Volume 2020–2025



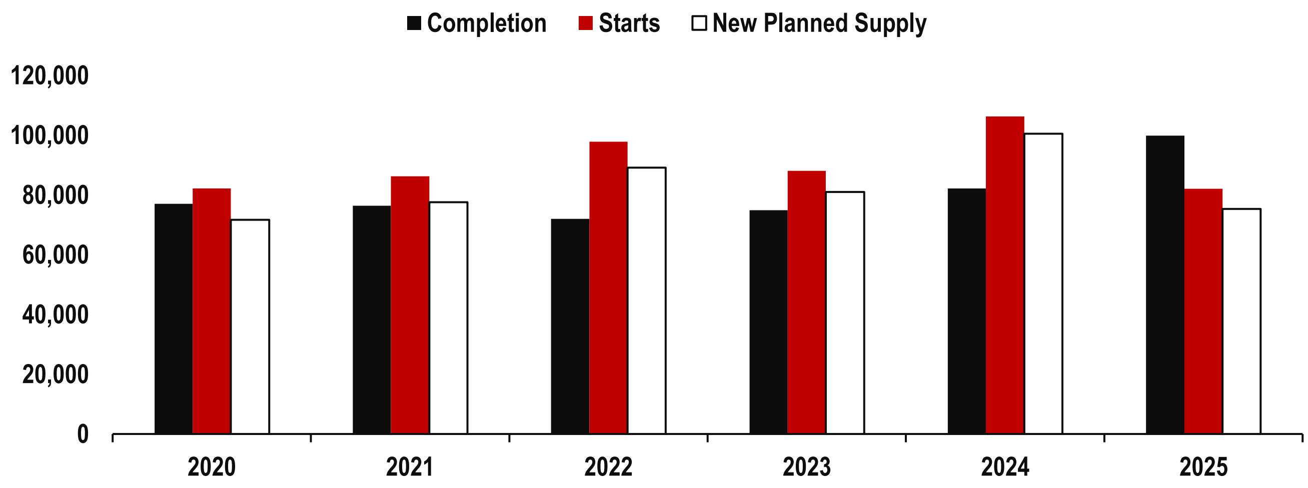
Sources: NAPIC, AmBank Economics

Exhibit 21: Residential Transactions Value 2020–2025



Sources: NAPIC, AmBank Economics

Exhibit 22: Residential Construction Activity 2020 – 2025 (unit)



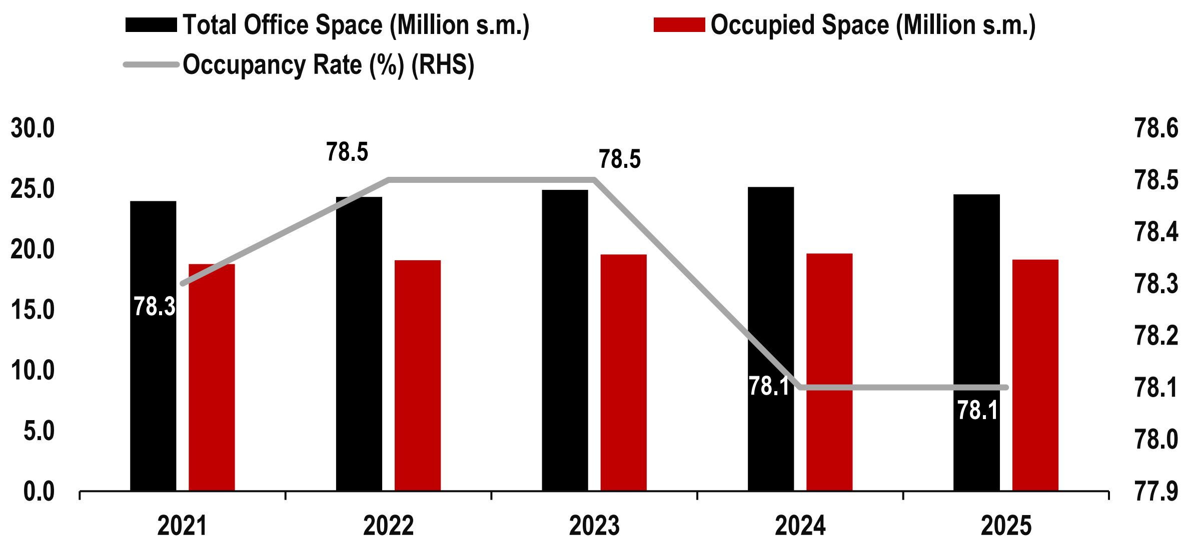
Sources: NAPIC, AmBank Economics

3.3 Non-residential construction outlook

To recap, the value of works done in the non-residential construction sector totalled MYR51.6 billion in 2025, up from MYR44.4 billion in 2024, a 16.2% y/y growth (2024: 15.5%), and accounted for 29% of the total value of works done in the construction sector. The non-residential subsector, encompassing commercial (retail and office) and industrial properties, is generally supported by business and industrial activity, and thus by the pace of Malaysia's economic growth and investment levels. The value of works done in non-residential construction is estimated at an average of 3.3% per annum during the period 2014-2023, vs the average GDP growth of 4.1%. In 2014-2020, when average GDP growth was 3.6% per year, the average growth in non-residential construction activity was 1.5%. However, by 2021-2025, when average GDP growth was higher at 5.2% per year, average growth in non-residential construction activity was 10.9%.

We expect non-residential construction activity to grow modestly. However, it may not achieve firm double-digit growth over the next 5-10 years, given the business cycle's fluctuations during that period. Moreover, the subsector may need to adjust its activities in line with the take-up rate. Based on data from the National Property Information Centre (NAPIC), the occupancy rate of shopping complexes recovered to 78.9 in 2025 from 78.8% in 2024, from a low of 75.4% in 2022. However, office occupancy rates have remained subdued as of late, most likely due to the rise in office space supply in Malaysia, where total office space increased to 25.1 million sq. m in 2024 from 24.0 million sq. m in 2021 before dipping to 24.5 million sq. m in 2025. The average office occupancy rate was 78.1% in 2025, down from 78.3% in 2021, suggesting current supply activity that may warrant further investigation in the coming few years. Sustaining an upcycle in demand would require the timely realisation of approved projects. A significant development is the positive implementation progress of investment approvals. Between 2021 and December 2024, 84.5% of manufacturing projects approved by the National Committee on Investment (NCI) have been implemented.

Exhibit 23: Supply and Occupancy of Purpose-Built Office (Private & Government) 2021 2025



Sources: NAPIC, AmBank Economics

3.4 Civil engineering/infrastructure

Even though the **civil engineering/infrastructure** subsector showed somewhat lagging growth in 2025 compared with 2024-2023 (after the completion of large-scale projects), we remain upbeat about its longer-term growth. We note that the government has allocated net development expenditure (devex) of MYR79.5 billion for fiscal year 2025 (FY2026), which is comparable to the MYR78.7 billion allocated in FY2025. In effect, the government is signalling that development spending will remain active in FY2026, with a focus on transport infrastructure. We further recall the 13th Malaysia Plan (13MP), which allocates MYR430 billion for development for the period 2026-2030. This averages out to MYR86.0 billion per year, which is higher than the FY2026 MYR79.5 billion devex budget. This brings to our view that the government ought to resort to issuing increasingly government-guaranteed (GG) bonds (and also bonds/sukuk issuances by AAA-rated GLCs responsible for infrastructure spending, such as Tenaga, Air Selangor, Danainfra, etc) in the coming medium-term period starting in FY2026, as this step relieves pressure off the government's balance sheet.

What are the infrastructure projects and investments that we can expect to be incoming in the medium to longer term horizon? According to the Government of Malaysia (GOM), as depicted in BNM's 2024 Economic and Monetary Review, Malaysia is now in the **Third Investment Cycle.** The First Investment Cycle was from 1980 to 1997, and the Second from 2011 to 2016. Each investment upcycle represents a distinct phase of economic development, reflecting the global and domestic economic landscapes as well as the nation's strategic visions.

The **First Cycle** was to transition the country from a commodity-dependent economy into a manufacturing-driven economy. In addition to promoting investments in manufacturing sectors, such as E&E, and economic zones throughout the country, the government promoted the development of highways to connect the manufacturing sectors and the expansion of airports (KLIA) and water ports to enhance connectivity and trade.

For the **Second Cycle**, the aim was to elevate Malaysians into higher income status, and the government supported the expansion of (affordable) housing and more widespread connectivity-improving infrastructure projects such as the MRT and the Pan Borneo Highway. There was also a focus on developing digital infrastructure and improving the power grid.

Third Cycle: However, since around the mid-2010s, the government has admitted that investment levels in the country have been poor. Before COVID, Malaysia's investment share of GDP moderated from 25% in the early 2010s to 23% in 2019, lagging regional peers, and to around 20% in 2021-2023. In effect, the Third Cycle could be said to have only begun around 2023. Real gross fixed capital formation (GFCF) surpassed pre-pandemic levels in 1H2024, exceeding its long-term averages (2015–19: 2.3%; 2011–19: 5.6%). The Third Cycle comes amid growth in the services sector's prominence in overall GDP, whilst sustaining the importance of the manufacturing sector. The Third Cycle clearly shows the share of civil engineering in the value of construction work done, rising from an average of 32.4% in 2011-2015 to 39.4% in 3Q 2023-4Q 2024. There is continued focus on infrastructure development amid megatrends such as digitalisation, recalibration of global supply chains, and the push for low-carbon emissions. In terms of projects, there should be continued focus on areas such as physical connectivity and low-carbon transition. The government's master plans, such as the New Industrial Master Plan 2030 (NIMP 2030), the National Energy Transition Roadmap (NETR), and others, outline the planning for incoming infrastructure. We particularly expect funding for **rail/transit transport** (LRT/MRT3/ECRL), **power plants** (part of NETR and especially to stir more investments in **renewable energy**), and various other socially related projects/initiatives, where past examples include financing for LPPSA (**public housing**), Felda (agriculture sector), and **roadworks/highways** (Jambatan Kedua). There is especially a need for better roads in previously neglected areas, which is why the Pan Borneo highway development is underway. Going into the next 5-10 years, specific projects we include those such as the Kasawari Carbon Capture and Storage (CCS) (construction of a fixed offshore platform 2018-2027) (though this does not go into construction sector), the Mutiara LRT Line (transit system in Penang 2025-2030) and the Hybrid-Hydro Floating Solar (HHFS) Photovoltaic (PV) (solar capacity installation at Tenaga Nasional's hydropower dams 2024-2040).

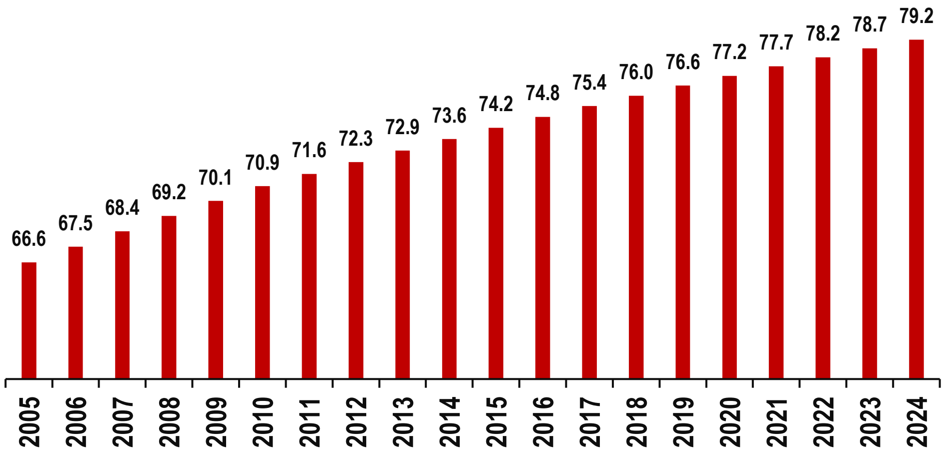
Why is there a need for increased infrastructure? Population and urbanisation. At the heart of our assumption is that population growth and urbanisation increase the need for utilities and transport facilities. Again, data (from the World Bank and DOSM) suggest that the pace of urbanisation has increased tremendously over the past decades, with the percentage of the urban population relative to the overall population in Malaysia rising from 66% in 2005 to 74% in 2015 and 79% in 2024.

Population growth and urbanisation have been accompanied by increased transportation infrastructure, including roads, rail, and airports, to improve connectivity.

- Data from Malaysia's Road Transport Department (JPJ) show motorcar registrations rose from 1.169 million in 2020 to 1.570 million in 2024 for a CAGR of 7.7%. Motor vehicles total in Malaysia has subsequently rose from 12.7 million in 2013 to 20.5 million in 2024 (not including motorcycles) while paved roads rose from 156k km in 2013 to 222k km in 2022, bringing number of vehicles per km up from 81.3 in 2023 to 84.3 in 2022, but the number in 2022 is down from 88.1 in 2020, bringing some concern that road infrastructure may need to be increased or upgraded in coming years especially if new vehicle registrations continue to increase at a consistent basis (see Exhibits 25 to 28).
- Further connectivity is needed. In addition to more roads, we note the active expansion of rail infrastructure in Malaysia, with projects for intracity connections such as MRT and the latest LRT 3, as well as urban intracity projects such as the KL-JB high-speed rail (HSR). For Kuala Lumpur/Klang Valley as well, we opine that future urban rail projects may need to increase

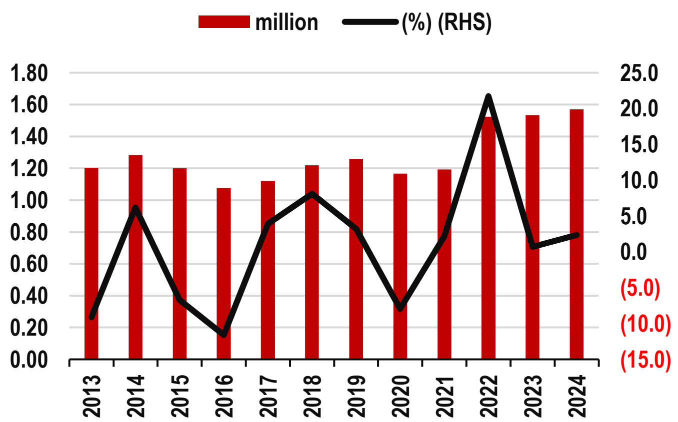
if KL's population continues to grow. Malaysia's total rail passenger count has shown strong increases, rising to 336.7 million in 2024 from 137.4 million in 2020 (including KTM, MRT, and LRT passenger data).

Exhibit 24: Malaysia: Urban population as a percentage of total population (%)



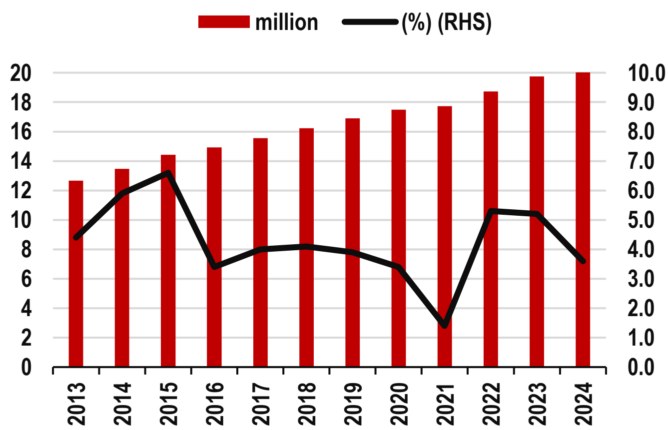
Sources: World Bank, AmBank Economics

Exhibit 25: Malaysia: Newly registered motor vehicles



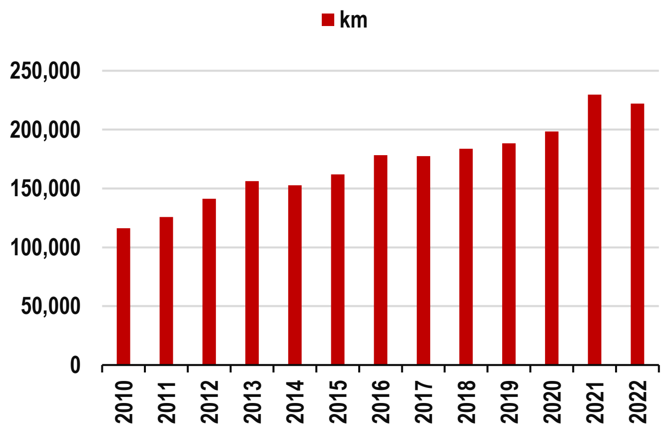
Sources: JPJ, AmBank Economics

Exhibit 26: Malaysia: No of Registered Vehicles (not including motorcycles)



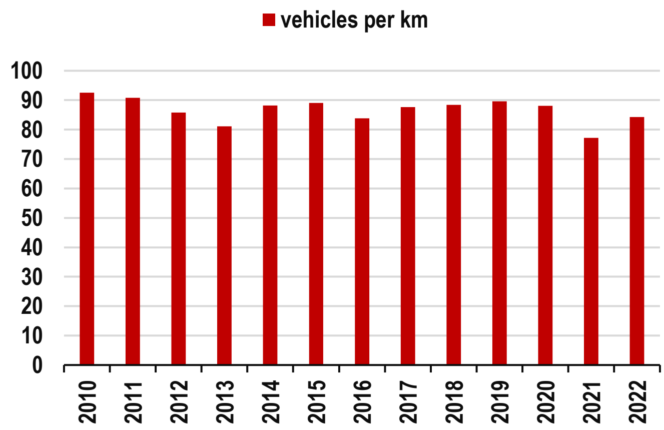
Sources: MAA, AmBank Economics

Exhibit 27: Malaysia: Length of Road; Paved, Asphalt, or Permanent



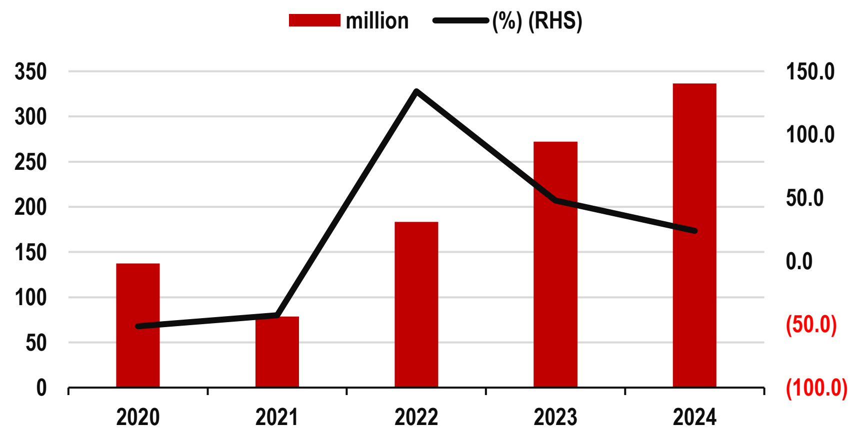
Sources: DOSM, AmBank Economics

Exhibit 28: Malaysia: Number of motor vehicles (not including motorcycles) vs permanent roads



Sources: DOSM, MAA, JPJ, AmBank Economics

Exhibit 29: Malaysia: Total rail passengers 2020-2024 (million and y/y % change)



Sources: MyRail, AmBank Economics

3.5 Why is there a need for increased infrastructure? Urbanisation and the next step in industrialisation.

Power and water facility requirements are expected to continue increasing, not only due to urbanisation but also as the next phase of industrialisation unfolds.

DOSM data show that monthly electricity supply totalled 15,431MWh in June 2024, up 3.5% y/y from 14,907MWh in June 2023, up 2.8% y/y from the year before. Tracking further back, electricity supply was 13,811MWh at end-2019. As per DOSM data, electricity consumption (in similar MWh or millions of kilowatt-hours) registered at 13,811 MWh at end-2019, 14.9 MWh at end-2023, and 15.4 MWh by June 2024. Annual growth in electricity consumption in June 2024 was 3.5% y/y, though below the 5.2% y/y growth at end-2023 vs the level reported at end-2022. Our view on the power sector in Malaysia is upbeat, as we expect electricity demand to continue rising at 3-5% per annum. We primarily base this on sustained annual GDP growth, given the close correlation between electricity demand and overall economic growth. Malaysia's Energy Commission stated that electricity demand was 16,822MW in 2015 and growing to 18,808MW in 2020, or at 2.3% per annum, vs average real GDP growth of 2.8% per annum, the same period.

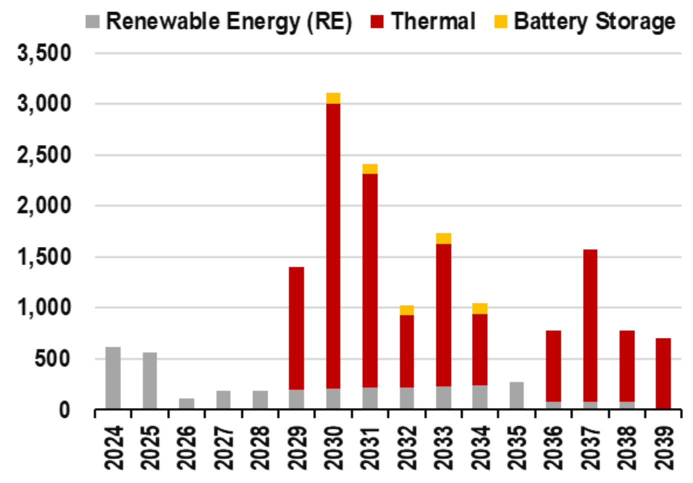
Electricity **generation capacity** would not jump in the short term, given the long-term nature of building new capacity. However, longer-term large increases are expected. As of 2024, the Minister of Energy Transition and Water Transformation indicated that installed electricity generation capacity in Peninsular Malaysia reached 26,152MW, with an energy reserve of 24%. In Sarawak, the generation capacity was **5,745MW** with 25% reserves, while in Sabah, the capacity was 1,237MW with 6.1% reserves. **The total installed capacity in 2024 thus came to 33,134MW, but by our estimate,** this is down from 35,037MW in 2020. Alongside the commissioning of new plants, the decline coincided with the retirement of various plants during the period. For instance, in 2021, as Edra Energy's combined-cycle gas turbine (CCGT) capacity of 2,200MW was installed, YTL Power's 585MW CCGT plant was retired. The Energy Commission's approved Generation Development Plan (2021-2030) shows that during 2024-2030, a total of 6,077MW of new capacity (an 18.3% increase from 2024) needs to come onstream to meet demand growth, maintain an optimum reserve margin, and replace retired plants. The pace of power plant construction, if based on the commission's outlook, must be increased in the coming years, as there is only one hydroelectric project (the 300MW Nenggiri plant) under development, with no coal- or gas-fired power plants under construction.

National Energy Transition Roadmap (NETR) and path towards RE. The pursuit of additional generating capacity as per the electricity capacity targets under the NETR must also be taken into account, given the ambitious renewable energy (RE) path the country is embarking on. Malaysia aims to increase the target for installed RE capacity from 40% in 2040 to 70% by 2050. Data from the Energy Commission indicates total installed RE generation capacity was 4,242MW as of July 2025, which is estimated to be about 12.8% of total installed capacity. That could mean more than tripling the current installed RE capacity over the next 15 years, by our estimate. On this account, Tenaga Nasional Berhad recently indicated that additional solar capacity will come on stream in the next few years, totalling 4,000MW.

Large energy-consuming data centres. Meanwhile, even as the Energy Commission identified just over 6,077MW of required new capacity (a target set in 2021), recent developments have increased the anticipated demand for electricity generation plants. This is due to the current boom in IT data centres in Malaysia, which require enormous energy and electricity to run. According to Tenaga Nasional, as of 2024, 18 data centres had been commissioned, increasing energy demand by 1.9 GW, leading to a 6.5% increase in electricity sales, compared to 3.9% in 2023. The commission has indicated that additional demand for electricity from data centres is expected to reach 12.9GW by 2030 (doubling the new capacity requirement as per its 2021 plan) and further to 20.9GW by 2040.

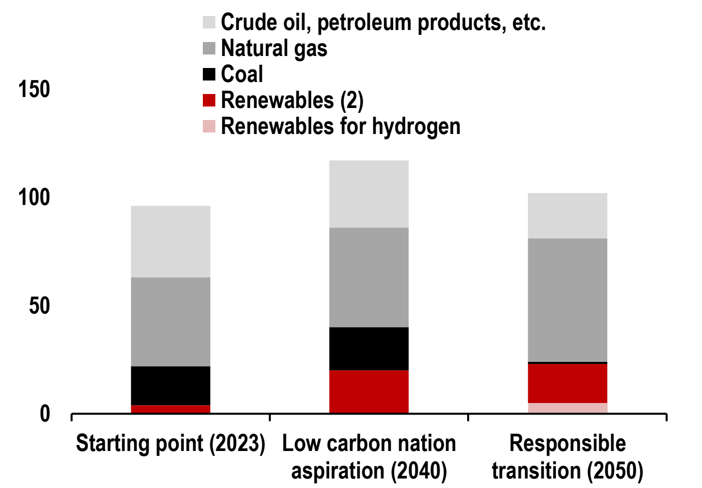
As for the **water sector,** we foresee accelerated investments in related infrastructure in the coming years. For one, on top of investments into new water distribution into urbanising areas, Malaysia reportedly remains bogged down by the need for extensive pipe replacements, as estimates of non-water revenue (NRW), or treated water lost before reaching consumers due to leaks, theft, or faulty meters, run towards 50% in states such as Perlis and Kelantan, and that water reserve margins in the country is about 15% which is below the government's 25% target. As part of the aim to reduce NRW, in August, the National Water Services Commission approved MYR7.7 billion in capital expenditure for various water projects. Gamuda Berhad and the Perak government are reportedly working on MYR5.0 billion investments into new water treatment and distribution projects. The Malaysian government reportedly has allocated MYR2.5 billion for NRW programs for the period 2025-2030.

Exhibit 30: New electricity capacity projection (MW) (2024-2039)



Sources: Energy Commission (2021)

Exhibit 31: NETR targets for primary energy source supply mix [(Mtoe (1)]



Note (1) Million tonnes oil equivalent
Note (2) Includes bioenergy, solar, hydropower and hydrogen
Sources: Ministry of Economy

4 OUTLOOK FOR CONSTRUCTION-RELATED DEBT SECURITIES

4.1 Driven by Infrastructure Demand, Financed by GGs and Corporate Issuers

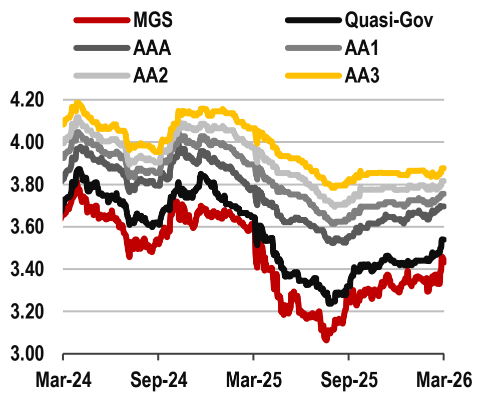
In the overall PDS market, we foresee demand remaining firm, reflected in relatively tight credit spreads. Corporate bond *yields* had generally declined in 1Q-3Q2025 but have since reverted higher into 2026, lagging MGS movements. PDS yields have risen to follow MGS yields, which were higher by March 2026 amid the US/Israel-Iran war, inflationary concerns, and a spike in global crude prices. Credit *spreads* (PDS yields measured against MGS) widened by about 20-30 bps in the early part of 2025, which we think was due to rapidly declining MGS yields and credit concerns amid risks to Malaysia's economic growth, especially amid US tariffs and global trade headwinds. Spreads then fell by late 2025 and into 2026, though upward pressure was also noticeable amid the Middle East war. An encouraging rise in PDS issuances in 2025-2026 also contributed to the wider spreads. However, over the next few quarters, we expect credit spreads to remain relatively tight, i.e., we expect overall demand for corporate bonds to remain firm in 2026. Our view on the credit spread is based on the following factors:

- Bond yields, especially government bond yields, could see a modest dip in the coming quarters. We think a stable domestic interest rate outlook will help to contain both yields and spreads.
- In addition, with improvements in general credit quality in the country, alongside firm economic growth outlook, yields and spread levels should remain generally supported.

Demand for construction bonds (including construction-sector-related, project finance, real estate, and infrastructure/utilities) is expected to remain firm amid robust construction-sector growth. By our calculation, construction-related bonds traded amounted to MYR106 billion during 2025 (up to 20 November), out of a total PDS traded amount of MYR195 billion, or 54% of the total traded amount, indicating that **construction-related bonds are typically very liquid.** As construction sector bonds usually lead issuance and trading activity, we foresee them remaining in strong demand and continuing to lead local corporate bond market flows. Given our view of a robust outlook for the construction sector over the coming years, we expect a continued pickup in construction-related bonds across both the primary and secondary markets.

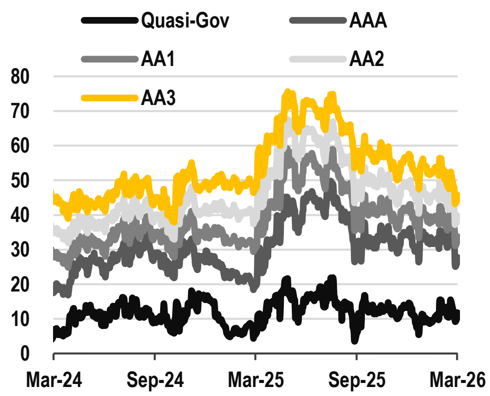
Yields/spreads. Construction-related bonds **typically carry stronger credit ratings than other sector bonds, backed by stronger assets and cash flows, especially if they involve project financing and government-related** projects. Even though other sectors have also proven to offer strong credit and competitive pricing (as we've noted in plantation bond spreads), various construction sector bonds indeed show very competitive pricing within their rating segments. For instance, in the AA1 rating segment, Kuala Lumpur Kepong (KLK; plantations sector) G-spreads are at 30-40 bps (yielding a 3.70-3.90% range) for 2032-2034 papers. Johor Plantations of 10Y maturity is about 28 bps over MGS. In the industrials space, AA1 Press Metal Aluminium papers 5-10Y have 20-30 bps spread over MGS. Meanwhile, the infrastructure/utilities name YTL Power, with a 2035 maturity, has seen a competitive <30 bps spread over MGS. Still in the AA1 space, property issuer PKNS, with a 2034-2035 maturity, is trading within a 35-40 bps spread. In short, though we do not generalise that all construction bonds would trade with tighter spreads, the higher potential to do so could be a firm reason to prefer construction-related bonds for trading gains vis-à-vis bonds of most other sectors. We will explore select names in the next section.

Exhibit 32: PDS vs MGS yields (%) 5Y tenor



Sources: BNM, BPAM, AmBank Economics

Exhibit 33: Credit spreads vs MGS (bps) 5Y tenor



Sources: BNM, BPAM, AmBank Economics

4.2 Supply outlook

We expect continued increases in construction-related bond issuance over the coming years, with particular reliance on GG bonds. There could be a spike in corporate bond issuances to finance construction and infrastructure projects in the medium- to longer-term. However, during the short-term period, issuances may still lag, keeping spreads relatively tight. This is because there may be a lag in the announcement of new high-cost construction/infrastructure projects in the short term, i.e., after recent infrastructure project completions.

Bond issuances vs works done vs construction sector outlook. We note that construction work done saw firm growth in 2022-2025, averaging 12.5% per annum (comprising 10.5% residential construction, 12.5% non-residential construction, 11.9% civil engineering works, and 21.4% special trade works). *Using data from BNM and BPAM, we note that new issuance of bonds for the financing of construction works, utilities and transport facilities, and real estate, rose from MYR38.4 billion in 2022 to MYR57.4 billion in 2023, then fell to MYR41.7 billion in 2024 before rising to MYR49.7 billion in January-November 2025.* This is the pace of 13.8% in 2023-2025 (compared with 12.5% in construction works done 2022-2025). Based on the government's official projection of +4.0-5.0% GDP growth in 2026 (versus 5.2% growth in 2025), its forecast for the construction sector growth for 2026 is +9.1%, down from 12.2% in 2025. Hence, for construction-sector related bonds *(pure construction plus electricity/gas plus water/transport/storage/communication, plus Danainfra bonds but excluding real estate), issuance of sum of MYR20-30 billion may be feasible in 2026* assuming also pace of the construction sector or the construction works value also slow accordingly (after totalling MYR26 billion in 2024 and MYR39 billion in 2025). Aside, we note that BPAM data show that gross MYR corporate bonds issued in 2025 totalled MYR168.3 billion (after subtracting MYR111.5 billion in maturities), with net issued PDS in 2025 at MYR57.3 billion. Taking the average of 2023-2025, gross issuance of PDS was MYR144.0 billion per year.

For GGs, we expect onshore development financing to increasingly rely on GGs (and on rated issuances by government-related entities). We note that the government has allocated net development expenditure (devex) of MYR79.5 billion in FY2026, which is comparable to the MYR78.7 billion in FY2025. In effect, the government is signalling that development spending will remain active in FY2026, with plans to allocate funds for transport infrastructure, including connections between Malaysia and Indonesia, and an air traffic control centre in Sabah. A lower fiscal deficit, while maintaining devex levels, suggests a growing economy supporting higher government revenues, as well as plans to increase efficiency in revenue collection. Meanwhile, operating expenditure (opex) is controlled (with Malaysia embarking on the subsidy rationalisation of RON95). We recall the 13th Malaysia Plan (13MP), which allocates MYR430 billion for development for the period 2026-2030. This averages out to **MYR86.0 billion per year**, which is higher than the FY2026 MYR79.5 billion devex budget. Meanwhile, if the bulk of the 13MP development spending is brought forward to earlier years of the plan period, it suggests there will be a need for large financing requirements as well. This brings us to our view that the government ought to resort to issuing increasingly government-guaranteed (GG) bonds (and also bonds/sukuk issuances by AAA-rated GLCs responsible for infrastructure spending, such as Tenaga, Air Selangor, Danainfra, etc) in the coming medium-term period starting in FY2026, as this step relieves pressure off the government's balance sheet. We particularly expect funding for rail/transit transport (MRT3/ECRL), power plants (part of NETR and especially to stir more investments in renewable energy), and various other socially related projects/initiatives, where past examples include financing for LPPSA (public housing), Felda (agriculture sector), and roadworks/highways (Jambatan Kedua).

The 2025-2026 GG issuance is active. Data show that gross issuance of GG bonds surged in 2025 compared with 2024, and the pace of issuance YTD 2026 has been strong as well (Exhibit 18). Issuance in 2025 was MYR33.5 billion (2024: MYR17.3 billion) and led by issuance by Danainfra (MYR10.7 billion), LPPSA (MYR8.7 billion), Malaysia Rail Link (MYR7.0 billion), Prasarana (MYR3.0 billion), PTPTN (MYR1.5 billion), PR1MA (MYR1.0 billion), and Felda (MYR1.0 billion). Issuance in 2026 up to March was already MYR9.5 billion, with Danainfra issuing MYR1.2 billion, Prasarana MYR1.8 billion, and LPPSA MYR5.5 billion, suggesting potential for expansion in housing construction activity in the country.

Updates on government guarantees. The latest Budget document updates the status of GG bonds outstanding, where we found public sector debt by components suggests guaranteed debt of MYR332.9 billion as at June 2025 (2024: MYR329.5 billion), or by our calculation, is 16.5% of GDP in 2025, coming down from 2024 (2024: 17.1%). However, the data suggests these comprise mainly GG debt issued under Act 96, whereas adding debt issued under Act 61 raises the level to 21.1% of GDP. Nevertheless, the levels of both categories of guarantees, at 21.1%, remain below the 25% of GDP threshold for Financial Guarantees as per the FRA 2023 limits, allowing the government ample room to fund devex during the 13MP period via GGs (and rated bonds as well, which do not require explicit government guarantees). For an increase of another 4 percentage points towards the 25% limit from the current level, that should amount to at least MYR85 billion more issuances of GG bonds — if issued in 2026. If issuances are done beyond 2026, then we figure the amount of possible new GG issuances rises to at least MYR100 billion. Adding to that are maturities of MYR15.6 billion quasi-government bonds in FY2026, including MYR3.1 billion GG Danainfra securities and MYR1.5 billion GG Prasarana papers maturing in the coming year. This includes MYR2.4 billion in maturing Malaysia Rail Link tranches, also maturing in 2026. Meanwhile, the **maturity profile** of GGs is well distributed, providing ample space for new issuances over the next five years, as about 30% of bonds under Act 96 mature within five years. 16% of these bonds mature in 6-10 years, another 30% in in 11-15 years, and 24% in 16 years or more.

5 INVESTMENT OUTLOOK

Key Issuers on Our Radar

5.1 GG bonds

Given the market's strength, investors should continue buying GG/quasi-government bonds. There are a small number of very prominent quasi-government bond and/or GG issuers compared to AAA and AA names in the construction sector. The following issuers we think warrant a look by investors:

Danainfra Nasional Berhad

Established in March 2011, Danainfra is a financial entity owned by the MOF that provides funding for certain government-mandated infrastructure projects. Its role is important for infrastructure development in Malaysia, as seen in the projects it funds, including LRT and MRT rail transit in the Klang Valley and the Pan Borneo highway. Danainfra provides very strong and stable credit, supported by the credit of the Government of Malaysia (GOM) and the government guarantee (GG) on facilities (listed below). There are stable, income-generating assets backing the credit.

Facilities:

Issuer	Facility	Maturity	Limit (MYR billion)	Outstanding (MYR billion)	Remarks
Danainfra Nasional Berhad	MYR7.6 billion GG ICP/IMTN	22/10/2071	7.6	7.1	Financing of the LRT3 project.
	MYR15.8 billion Guaranteed ICP/IMTN	25/10/2067	15.8	13.0	Financing of the Pan Borneo project.
	MYR88.7 billion Guaranteed ICP/IMTN	20/7/2062	88.7	73.3	Financing of the MRT3 project.
Total				93.4	

Prasarana Malaysia Berhad

Prasarana provides public transport services, namely rail and bus services. In addition, Prasarana's 2024 financial statement states the business activity of the company as 1) construction of railways and subways (MSIC code 42105), 2) construction of buildings (41009), and 3) construction of other engineering projects (42909). The construction of the transport side of the projects (i.e., rail works) is funded by Danainfra, leaving Prasarana to focus on related commercial and transit-oriented projects and special construction works, such as stations and related properties adjacent to them.

Facilities:

Issuer	Facility	Maturity	Limit (MYR billion)	Outstanding (MYR billion)	Remarks
Prasarana Malaysia Berhad	MYR2.0 billion Sukuk Murabahah (2023)	10/10/2053	2.0	1.0	Payment of existing borrowings/financing and/or future financing, and any other purposes.
	MYR17.0 billion Sukuk Murabahah	25/08/2051	17.0	10.2	Proceeds for various uses, including capex, opex, profit/financing costs, payment of existing borrowings/financing and/or future financing.
	MYR3.5 billion Sukuk Murabahah (2020)	25/02/2050	3.5	3.5	Proceeds for profit/financing costs, capex, opex, working cap, repayment of existing borrowings/financing.
	MYR6.0 billion Sukuk Murabahah (2017)	27/12/2047	6.0	5.0	Proceeds for capex, profit payments/financing costs, repayment of short-term borrowings, and opex.
	MYR10.0 billion Sukuk Murabahah (2017)	13/09/2047	10.0	9.5	Part of the proceeds is to finance the construction costs and working capital in connection with the LRT 3 project.
	MYR5.0 billion Sukuk Murabahah (2015)	11/12/2045	5.0	3.8	Funding for capex and working capital.
	MYR2.0 billion Sukuk Murabahah (2015)	24/03/2045	2.0	1.8	Funding for capex and working capital.
	MYR2.0 billion Sukuk Murabahah (2014)	10/03/2034	2.0	1.5	Funding for capex and working capital.
	MYR2.0 billion Sukuk Ijarah (2013)	29/08/2033	2.0	0.9	Funding for capex and working capital.
	MYR2.0 billion Sukuk Murabahah	06/09/2027	2.0	1.0	Refinancing of borrowings, capex, and working capital.
	MYR4.0 billion IMTN	28/09/2029	4.0	3.5	Funding for capex and other expenditure.
Total				41.7	

LPPSA

Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA), or the Public Sector Home Financing Board (LPPSA), is a statutory body responsible for managing public sector housing financing facilities. LPPSA was formerly known as the Housing Loan Division of the MOF. As of 2024, LPPSA has liabilities of MYR67.9 billion, total assets of MYR119.0 billion and total equity of MYR51.2 billion. LPPS reported after-tax profits of MYR 13.5 billion over the 2020-2024 financial years. Total outstanding LPPSA sukuk is currently MYR51.8 billion.

Facilities:

Issuer	Facility	Maturity	Limit (MYR billion)	Outstanding (MYR billion)	Remarks
Lembaga Pembiayaan Perumahan Sektor Awam	MYR25.0 billion Guaranteed ICP/IMTN	06/02/2075	25.0	10.2	Proceeds used for 1) provision of home financing, 2) capex, and 3) refinancing any existing borrowings.
	MYR50.0 billion Guaranteed ICP/IMTN	21/09/2066	50.0	41.6	For capex, refinancing of credit and/or financing facilities and provision of home financing.
				51.8	

MRL

MOF-owned Malaysia Rail Link Sdn Bhd (MRL) administers the implementation of the East Coast Rail Link (ECRL), a 665 km electrified railway project linking the East Coast states of Kelantan, Terengganu and Pahang with the Klang Valley region. The company reported that the project was 89% completed back in November last year and is due for completion in 2027. The cost of construction is estimated at MYR50.3 billion, with additional development costs (such as land acquisition and interest payments) totalling MYR24.7 billion.

Facilities:

Issuer	Facility	Maturity	Limit (MYR billion)	Outstanding (MYR billion)	Remarks
Malaysia Rail Link Sdn Bhd	MYR10.21 billion GG ICP/IMTN	3/30/2074	10.2	7.8	East Coast Rail Link project
	MYR1.70 billion ICP/IMTN	7/7/2072	1.7	1.7	East Coast Rail Link project
	MYR9.75 billion IMTN Sukuk Murabahah	7/4/2070	9.8	9.8	East Coast Rail Link project
				19.3	

List of select GG tranches:

Spreads of GG bonds are very tight against MGS. However, looking at maturities 5-10Y with spreads over 10 bps does offer some value, especially if their liquidity ranking (as per Bloomberg's LQA scoring) is relatively higher. Danainfra and Prasarana papers remain our preference.

Issuer	Coupon (%)	Maturity	Maturity (years)	Yield (%)	Rating	Liquidity Score (LQA)	G-Spread (vs MGS) (bps)
DANAINFRA NASIONAL	2.84	02/24/28	1.91	3.299	GG	97	7
DANAINFRA NASIONAL	3.72	11/10/28	2.62	3.313	GG	95	7
DANAINFRA NASIONAL	4.47	11/24/28	2.67	3.365	GG	84	12
DANAINFRA NASIONAL	3.47	09/26/29	3.5	3.421	GG	85	15
DANAINFRA NASIONAL	3.69	11/27/29	3.67	3.361	GG	84	7
DANAINFRA NASIONAL	4.15	01/31/30	3.85	3.371	GG	91	6
DANAINFRA NASIONAL	4.04	10/24/30	4.57	3.436	GG	88	8
DANAINFRA NASIONAL	4.57	05/02/31	5.1	3.532	GG	89	15
DANAINFRA NASIONAL	3.91	06/06/31	5.19	3.532	GG	74	14
DANAINFRA NASIONAL	3.86	06/13/31	5.21	3.532	GG	75	14
DANAINFRA NASIONAL	3.87	07/16/31	5.3	3.541	GG	N/A	14
DANAINFRA NASIONAL	4.58	10/20/32	6.57	3.509	GG	84	-1
DANAINFRA NASIONAL	4.38	02/08/33	6.87	3.548	GG	75	2

Issuer	Coupon (%)	Maturity	Maturity (years)	Yield (%)	Rating	Liquidity Score (LQA)	G-Spread (vs MGS) (bps)
DANAINFRA NASIONAL	4.9	04/29/33	7.09	3.549	GG	93	1
DANAINFRA NASIONAL	4.79	04/06/35	9.03	3.746	GG	72	17
DANAINFRA NASIONAL	4.91	11/12/35	9.63	3.726	GG	56	12
DANAINFRA NASIONAL	3.79	02/22/36	9.91	3.795	GG	86	17
DANAINFRA NASIONAL	4.76	05/02/36	10.1	3.659	GG	61	2
DANAINFRA NASIONAL	4.1	05/05/36	10.11	3.659	GG	76	2
DANAINFRA NASIONAL	5.1	10/29/38	12.58	3.899	GG	62	12
DANAINFRA NASIONAL	4.14	11/28/41	15.67	3.943	GG	61	2
DANAINFRA NASIONAL	5.07	10/20/42	16.56	3.969	GG	70	2
DANAINFRA NASIONAL	5.05	04/06/45	19.03	4.009	GG	78	1
DANAINFRA NASIONAL	4	01/26/46	19.83	NA	GG	53	2
DANAINFRA NASIONAL	4.28	07/16/54	28.3	4.151	GG	62	10
DANAINFRA NASIONAL	4.25	03/11/55	28.95	4.122	GG	N/A	6
DANAINFRA NASIONAL	4.06	06/30/55	29.26	4.119	GG	N/A	6
MALAYSIA RAIL LINK	4.12	07/23/36	10.32	3.789	GG	100	14
MALAYSIA RAIL LINK	4.06	07/25/36	10.33	3.678	GG	86	3
MALAYSIA RAIL LINK	4.48	07/23/46	20.32	--	GG	91	3
PENGURUSAN AIR SPV BHD	3.7	06/06/28	2.2	3.326	GG	75	9
PRASARANA MALAYSIA BHD	4.58	08/29/28	2.42	3.316	GG	100	5
PRASARANA MALAYSIA BHD	3.73	12/01/28	2.68	3.385	GG	69	15
PRASARANA MALAYSIA BHD	3.06	07/10/29	3.29	3.417	GG	88	16
PRASARANA MALAYSIA BHD	4.38	03/12/31	4.96	3.432	GG	95	4
PRASARANA MALAYSIA BHD	4.2	09/12/31	5.46	3.528	GG	80	11
PRASARANA MALAYSIA BHD	4.18	08/27/32	6.42	3.538	GG	87	3
PRASARANA MALAYSIA BHD	3.1	10/22/32	6.57	3.556	GG	84	4
PRASARANA MALAYSIA BHD	4.53	03/10/34	7.95	3.589	GG	88	3
PRASARANA MALAYSIA BHD	4.11	08/27/36	10.42	3.701	GG	92	5
PRASARANA MALAYSIA BHD	4.41	08/28/37	11.42	3.779	GG	80	7
PRASARANA MALAYSIA BHD	4.38	01/29/38	11.84	3.777	GG	92	4
PRASARANA MALAYSIA BHD	4.09	08/05/39	13.36	3.851	GG	66	2

Note: Liquidity Score (LQA) denotes Bloomberg's liquidity assessment. A score of 100 denotes the most liquid security.
Data as of 1 April 2026.
Sources: Bloomberg, AmBank Economics

5.2 AAA

There are various construction-related issuers in the AAA rating segment. We can find them active in various subsectors (pure construction, infrastructure and utilities, real estate). However, bonds in the AAA segment are more focused on infrastructure, civil engineering, and utilities. We prefer these AAA infra-names, though spreads are narrower than for AA names, as they offer better credit. Names include Pengurusan Air Selangor (Air Selangor) and Pengurusan Air SPV Sdn Bhd (PASB) in the water subsector; highway asset owners Amanat Lebuhraya, PLUS Berhad, and Infracap Resources Sdn Bhd; and power sector players Tenaga Nasional Berhad, Manjung Island, TNB Power Generation Sdn Bhd, and TNB Northern Energy. Non-infrastructure/utilities issuers include Pelaburan Hartanah Berhad (real estate) and PNB Merdeka Ventures Sdn Bhd (construction).

Pengurusan Air SPV Sdn Bhd (PASB)

PASB is a 100%-owned subsidiary of Pengurusan Aset Air Berhad (PAAB) and serves as the financing conduit/special-purpose vehicle (SPV) for the PAAB group. PAAB is the national water asset company mandated to facilitate/develop the water supply infrastructure restructuring for Peninsular Malaysia and the Federal Territory of Labuan pursuant to the Water Services Industry Act 2006 (WSIA). GOM wholly owns PAAB through the Minister of Finance (Incorporated). There is credit recourse for PASB sukuks to PAAB, but there is also financial backing from the GOM, specifically for PASB's MYR20 billion IMTN (2011/2041), which carries a GG (government guarantee).

Facilities:

Issuer	Facility	Maturity	Limit (MYR billion)	Outstanding (MYR billion)	Remarks
Pengurusan Air SPV Berhad (PASB)	MYR20.0 billion ICP	01/12/2016	20.0	0.0	
	MYR20.0 billion IMTN	04/11/2039	20.0	17.4	
	MYR2.0 billion Sukuk Wakalah CP	03/08/2029	2.0	0.0	
	MYR20.0 billion GG IMTN	08/02/2041	20.0	4.6	Government Guaranteed/ Not Rated
Total				22.1	

Projek Lebuhraya Usahasama Berhad (PLUS)

MARC assigns a AAA rating to PLUS MYR25.2 billion sukuk MTNs, and the rating agency categorises PLUS under its "Infrastructure & Utilities" sector, specifically in the 'Project Finance' category. The AAA rating on the sukuk incorporates a two-notch rating uplift from PLUS's standalone rating. It reflects the irrevocable and unconditional Letter of Undertaking (LoU) from the government that would cover any cash shortfall to maintain the LoU finance service cover ratio (FSCR) of 2.0x. PLUS's standalone rating reflects its mature highway portfolio, characterised by stable traffic and revenue performance. PLUS's close credit link to the government is further evidenced by the interdependence between the default events of the AAA sukuk and MYR11.0 billion government-guaranteed sukuk, which is repayable only after the full redemption of the AAA-rated sukuk.

Facilities:

Issuer	Facility	Maturity	Limit (MYR billion)	Outstanding (MYR billion)	Remarks
Projek Lebuhraya Usahasama Berhad's (PLUS)	MYR25.2 billion Sukuk	23/12/2058	25.2	23.4	AAA (is) rated
	MYR11.0 billion Guaranteed Sukuk	31/12/2058	11.0	11.0	Government Guaranteed/ Not Rated Part finance Purchase of PLUS, ELITE, KLBK, LINKEDUA, Penang Bridge.
Total				34.4	

Tenaga Nasional Berhad (TNB)

TNB is the country's national electric utility company, and its operating and financial performance reflects its importance. The company holds a near-monopoly in Peninsular Malaysia's power transmission and distribution and owns more than half of the total installed capacity. TNB has a Single Buyer's offtake of energy generated by independent power producers (IPPs).

Facilities:

Issuer	Facility	Maturity	Limit (MYR billion)	Outstanding (MYR billion)	Remarks
Tenaga Nasional Berhad	MYR5.0 billion IMTN Sukuk Wakalah	03/08/2067	5.0	5.0	
	MYR10.0 0 billion IMTN Sukuk Wakalah	12/08/2070	10.0	10.0	
Total				15.0	

TNB Power Generation Berhad

TPGSB is TNB's key energy generation unit, and its credit and rating are aligned with those of its parent. TPGSB's credit strength reflects its sizeable 55.3% share (15,114MW) of Peninsular Malaysia's generation capacity as of 1 September 2025. It also benefits from stable earnings, supported by long-term and availability-based power purchase agreements (PPAs) with TNB. These contracts mitigate demand risk (excluding two hydro plants) and allow for fuel cost pass-through contingent on operational performance.

Facilities:

Issuer	Facility	Maturity	Limit (MYR billion)	Outstanding (MYR billion)	Remarks
TNB Power Generation Sdn Berhad	MYR10.0 0 billion IMTN Sukuk Wakalah	31/05/2052	10.0	3.5	
Total				3.5	

Manjung Island Energy Berhad

Manjung's securities depend on the cash flows from TNB Janamanjung Sdn Bhd (TNBJ), which thus becomes the Obligor of the securities issued, and Tenaga Nasional also provides a corporate guarantee for the bonds issued under Series 2, as listed below (to pay obligations under Series 2 to TNBJ). TNBJ is a power generation company supplying electricity to Tenaga. Manjung is the SPV responsible for raising funding for the construction of a 1,010 MW coal-fired power plant (GF2), located next to the coal-fired Sultan Azlan Shah power plant (GF1) in Perak, with 2,070 MW of capacity.

Facilities:

Issuer	Facility	Maturity	Limit (MYR billion)	Outstanding (MYR billion)	Remarks
Manjung Island Energy Berhad	MYR3,860 million Islamic Securities - Series 1	25/11/2030	3.86	0.500	
	MYR990 million Islamic Securities - Series 2	25/11/2031	0.99	0.99	Corporate guarantee from TNB
Total				0.599	

Pelaburan Hartanah Berhad

Pelaburan Hartanah Berhad (PHB) manages Amanah Hartanah Bumiputera (AHB), a unit trust fund that holds beneficial ownership of 21 of the 26 properties as at end-December 2024. According to RAM Ratings, PHB is considered highly important to the government, both politically and institutionally, indicating strong government support in annual grants and tax exemptions.

Facilities:

Issuer	Facility	Maturity	Limit (MYR billion)	Outstanding (MYR billion)	Remarks
Pelaburan Hartanah Berhad	MYR5.0 billion ICP	15/10/2031	5.0	0.0	
	MYR5.0 billion IMTN	01/09/2124	5.0 (combined limit with ICP)	1.5	Combined limit with ICP
				1.5	

Amanat Lebuhraya Rakyat Berhad

Amanat Lebuhraya Rakyat Berhad (ALR) holds a portfolio of four mature highways, namely the Damansara-Puchong Expressway (LDP), Shah Alam Expressway (KESAS), SPRINT Expressway and the SMART Tunnel. According to RAM Ratings, the AAA rating is based on ALR's robust debt coverage metrics and cash flows generated by the portfolio. ALR was set up in December 2021 (the MYR5.5 billion sukuk was issued in 2022), as a not-for-profit entity to acquire and manage the four highway concession companies, ensuring urban mobility, eliminating government compensation for toll rate non-revision, maintaining toll affordability, and returning the highways to the government upon repayment of the Sukuk. According to ALR, it aims to hasten the shortening of the toll concessions and to return the four highways to the government.

Facilities:

Issuer	Facility	Maturity	Limit (MYR billion)	Outstanding (MYR billion)	Remarks
Amanat Lebuhraya Rakyat Berhad	MYR5.5 billion Sustainability Sukuk Murabahah	13/10/2044	5.5	4.8	
Total				4.8	

Infracap Resource Sdn Bhd and Aquasar Capital Sdn Bhd

Infracap Resources and Aquasar Capital are funding SPVs of the state government of Sarawak for various infrastructure projects and strategic investments. While Sarawak has not explicitly guaranteed the securities issued by these SPVs, their ratings take into consideration Sarawak's strong credit position.

Facilities:

Issuer	Facility	Maturity	Limit (MYR billion)	Outstanding (MYR billion)	Remarks
Infracap Resource Sdn Bhd	MYR15.0 billion Sukuk Murabahah	15/04/2041	15.0	4.5	
Aquasar Capital Sdn Bhd	MYR1,500.0 million Sukuk Murabahah	18/07/2029	1.5	0.4	
Total					

Other AAA construction/property/utilities names

Elsewhere, there are other AAA issuers in the construction/property sectors, namely PNB Merdeka Ventures, Putrajaya Holdings, Putrajaya Bina Sdn Bhd, Suria KLCC Sdn Bhd for the residential/non-residential construction sector, and TNB Northern Energy, Sarawak Energy Berhad, YTL Power, YTL Power International (YTLPI) and Sarawak Hidro in utilities. There are also AAA-rated securities issued by REIT companies, namely ALSREIT Capital Sdn Berhad and Paradigm REIT. There are also bonds issued to finance port construction, namely issued by Westports Malaysia Sdn Bhd. YTLPI's credit ratings were upgraded alongside YTL Corp's ratings this year. RAM Ratings cited improvements in YTL Corp's operating and financial profile, as well as in YTLPI's profitability.

Facilities:

Issuer	Facility	Maturity	Limit (MYR billion)	Outstanding (MYR billion)	Remarks
PNB Merdeka Ventures Sdn Berhad	Perpetual Sukuk Wakalah of up to MYR6.0 billion	06/11/2125	6.0	6.00	
Pengurusan Air Selangor Sdn Berhad (Air Selangor)	MYR20.0 billion IMTN	23/12/2550	20.0	7.55	
	MYR20.0 billion ICP	23/12/2027	20.0	0.00	
Putrajaya Holdings Sdn Berhad	MYR370.0 million Sukuk Musharakah	24/04/2030	0.37	0.17	
	MYR3.0 billion Sukuk Musharakah	25/10/2032	3.0	0.30	
	MYR1.0 billion Sukuk Wakalah	06/05/2041	1.0	0.05	
Putrajaya Bina Sdn Berhad	MYR1.58 billion IMTN Sukuk Wakalah	12/09/2042	1.6	0.83	
TNB Northern Energy	Sukuk of up to MYR2.0 billion	29/05/2036	2.0	1.0	
Sarawak Energy Berhad	MYR30.0 billion Sukuk Musyarakah	22/06/2136	30.0	14.5	Proceeds to purchase Bakun power assets
Westports Malaysia Sdn Berhad	MYR5.0 billion Perpetual IMTN Sukuk Wakalah	14/05/2123	5.0	0.36	Issued in 2024.
	20Y MYR2.0 billion Sukuk Musyarakah	02/05/2031	2.0	0.55	
YTL Power International Berhad	MYR2.5 billion 10Y Sukuk Murabahah	03/05/2027	2.5	2.50	
	MYR5.0 billion 25Y MTN	25/08/2036	5.0	0.83	
	MYR7.5 billion 7Y ICP & Perpetual IMTN	24/03/2122	7.5	7.40	

List of select AAA tranches:

Spreads of AAA tranches are wider compared with GG bonds. There are various papers offering spreads >20 bps, including liquid names such as Amanat Lebuhraya, Air Selangor, Pengurusan Air SPV (PASB), PLUS, Sarawak Energy, and some Tenaga-related issuers.

Issuer	Coupon (%)	Maturity	Maturity (years)	Yield (%)	Rating	Liquidity Score (LQA)	G-Spread (vs. MGS) (bps)
AMANAT LEBUHRAYA RAKYAT	5.09	10/11/30	4.54	3.649	AAA	100	30
AMANAT LEBUHRAYA RAKYAT	5.16	10/13/31	5.55	3.68	AAA	74	25
AMANAT LEBUHRAYA RAKYAT	5.59	10/13/37	11.55	3.917	AAA	65	37

Issuer	Coupon (%)	Maturity	Maturity (years)	Yield (%)	Rating	Liquidity Score (LQA)	G-Spread (vs. MGS) (bps)
CAGAMAS BERHAD	3.92	07/17/29	3.30	3.505	AAA	74	24
CAGAMAS BERHAD	3.82	03/07/30	3.94	3.538	AAA	99	23
CAGAMAS BERHAD	4.03	05/02/31	5.10	3.632	AAA	81	25
CAGAMAS BERHAD	4.31	10/27/33	7.58	3.709	AAA	78	17
CAGAMAS BERHAD	4.00	06/28/34	8.25	3.748	AAA	99	19
INFRACAP RESOURCES S B	4.80	04/13/35	9.05	3.779	AAAs	84	20
INFRACAP RESOURCES S B	4.90	04/15/36	10.06	3.812	AAAs	95	18
MALAYSIA AIRPORTS HG BHD	3.60	11/06/30	4.61	3.669	AAA	76	32
MALAYSIA AIRPORTS HG BHD	4.02	11/21/31	5.66	3.721	AAA	78	28
MALAYSIA AIRPORTS HG BHD	4.08	11/22/34	8.66	3.8	AAA	74	23
MANJUNG ISLAND ENERGY BH	4.90	11/25/31	5.66	3.657	AAAs	98	21
PENGURUSAN AIR SELANGOR	4.82	09/17/32	6.48	3.739	AAA	57	23
PENGURUSAN AIR SELANGOR	3.67	10/07/32	6.54	--	AAA	63	18
PENGURUSAN AIR SELANGOR	4.66	04/19/33	7.07	3.705	AAA	61	18
PENGURUSAN AIR SELANGOR	4.48	10/11/33	7.55	3.722	AAA	42	18
PENGURUSAN AIR SELANGOR	5.45	07/25/42	16.33	4.05	AAA	34	11
PENGURUSAN AIR SELANGOR	4.92	10/09/43	17.54	4.078	AAA	33	10
PENGURUSAN AIR SELANGOR	5.00	10/09/48	22.54	4.13	AAA	25	11
PENGURUSAN AIR SELANGOR	4.26	08/19/49	23.4	4.149	AAA	32	12
PENGURUSAN AIR SELANGOR	4.09	10/07/50	24.53	4.161	AAA	33	13
PENGURUSAN AIR SPV BHD	3.90	10/30/29	3.59	3.529	AAA	84	24
PENGURUSAN AIR SPV BHD	4.56	01/31/30	3.85	3.6	AAA	89	30
PENGURUSAN AIR SPV BHD	4.07	02/07/31	4.87	3.597	AAA	85	22
PENGURUSAN AIR SPV BHD	4.22	02/25/32	5.91	3.745	AAA	75	28
PENGURUSAN AIR SPV BHD	3.86	04/30/32	6.10	3.756	AAA	85	27
PENGURUSAN AIR SPV BHD	4.63	02/03/33	6.86	3.771	AAA	86	25
PENGURUSAN AIR SPV BHD	3.85	02/04/33	6.86	--	AAA	77	24
PENGURUSAN AIR SPV BHD	4.14	02/07/34	7.87	3.805	AAA	73	26
PENGURUSAN AIR SPV BHD	4.02	02/05/37	10.87	3.897	AAA	71	22
PENGURUSAN AIR SPV BHD	3.82	09/30/38	12.51	3.95	AAA	79	18
PENGURUSAN AIR SPV BHD	4.06	04/29/39	13.09	3.959	AAA	68	16
PERBDN BKLM AIR PL PNNG	3.57	09/04/35	9.44	3.867	AAA	59	27
PERBDN BKLM AIR PL PNNG	3.75	09/04/40	14.44	3.989	AAA	57	11
PNB MERDEKA VENTURES SDN	3.64	11/06/30	4.62	--	AAAis	83	35
PNB MERDEKA VENTURES SDN	3.79	11/05/32	6.61	3.758	AAAis	99	24
PNB MERDEKA VENTURES SDN	3.83	11/06/35	9.61	--	AAAis	55	25
PROJEK LEBUHRAYA USAHASAMA	4.58	01/11/30	3.79	3.634	AAAs	76	33
PROJEK LEBUHRAYA USAHASAMA	5.07	01/10/31	4.79	3.659	AAAis	86	28
PROJEK LEBUHRAYA USAHASAMA	4.03	01/10/31	4.79	3.659	AAAis	81	29
PROJEK LEBUHRAYA USAHASAMA	3.65	01/10/31	4.79	3.645	AAAis	90	28
PROJEK LEBUHRAYA USAHASAMA	4.68	01/12/32	5.79	3.648	AAAs	85	18
PROJEK LEBUHRAYA USAHASAMA	4.73	01/12/33	6.79	3.776	AAAs	85	26
PROJEK LEBUHRAYA USAHASAMA	3.73	01/12/33	6.80	3.713	AAAis	85	19
PROJEK LEBUHRAYA USAHASAMA	4.03	01/10/35	8.79	3.772	AAAis	74	20
SARAWAK ENERGY BHD	4.19	07/04/30	4.27	3.577	AAA	94	24
SARAWAK ENERGY BHD	5.32	12/03/32	6.69	3.672	AAA	98	14
SARAWAK ENERGY BHD	3.65	06/15/35	9.22	3.795	AAA	85	21

Issuer	Coupon (%)	Maturity	Maturity (years)	Yield (%)	Rating	Liquidity Score (LQA)	G-Spread (vs. MGS) (bps)
SARAWAK ENERGY BHD	5.18	04/25/36	10.08	3.826	AAA	100	19
SARAWAK HIDRO SDN BHD	4.67	08/11/31	5.37	3.695	AAA	84	29
SURIA KLCC SDN BHD	4.00	06/29/35	9.25	3.815	AAA	78	23
TENAGA NASIONAL BERHAD	4.08	11/25/31	5.66	3.749	AAA	68	30
TENAGA NASIONAL BERHAD	4.84	06/30/32	6.26	3.678	AAA	69	17
TENAGA NASIONAL BERHAD	4.95	08/03/32	6.36	3.688	AAA	95	18
TENAGA NASIONAL BERHAD	4.47	11/25/36	10.66	3.888	AAA	65	22
TENAGA NASIONAL BERHAD	5.18	08/03/37	11.35	3.852	AAA	79	14
TNB NORTHERN ENERGY BHD	4.48	05/29/31	5.17	3.687	AAAis	49	29
TNB POWER GENERATION	4.30	03/29/30	4.00	3.618	AAAis	95	30
TNB POWER GENERATION	4.58	03/29/33	7.01	3.749	AAAis	91	22
TNB POWER GENERATION	5.05	06/02/37	11.18	3.889	AAAis	82	19
TNB POWER GENERATION	4.67	03/29/38	12.00	3.897	AAAis	65	15
TNB POWER GENERATION	4.05	03/08/41	14.95	--	AAAis	42	9
TNB POWER GENERATION	5.20	06/02/42	16.19	4.022	AAAis	76	8
TNB POWER GENERATION	4.84	03/27/43	17.00	4.079	AAAis	86	12
TNB POWER GENERATION	4.21	03/09/46	19.95	4.139	AAAis	32	14
TNB POWER GENERATION	4.26	03/10/51	24.96	4.209	AAAis	17	17
WEST COAST EXPRESSWAY	5.16	08/27/32	6.42	3.908	AAAbg	55	40
WESTPORTS MALAYSIA	4.29	05/13/39	13.13	3.998	AAA	66	19
YTL POWER INTERNATIONAL	4.88	03/22/30	3.98	3.625	AAA	90	30
YTL POWER INTERNATIONAL	4.01	08/26/31	5.42	3.696	AAA	57	28
YTL POWER INTERNATIONAL	4.62	08/24/35	9.41	3.819	AAA	77	22
YTL POWER INTERNATIONAL	4.13	03/19/41	14.98	--	AAA	60	18

Note: Liquidity Score (LQA) denotes Bloomberg's liquidity assessment. Scoring of 100 denotes the most liquid security.
Data as of 1 April 2026.
Sources: Bloomberg, AmBank Economics.

5.3 AA1/AA+

There is a lack of issuers from construction- and infrastructure-related subsectors that are rated AA1/AA+. Typically, most infrastructure/construction issuers have better credit ratings than AA1/AA+ (meaning they are GG or AAA rated as a result of firm cash flows and financials, asset backing, and guarantees). On the other hand, straight construction-related corporate bonds/issuers typically have less credit strength than AA1/AA+, which are predominantly populated by securities issued by financial names (with AAA issuer ratings but securities are notched down by one to AA1/AA+) and by those related to large conglomerates.

In any case, we find that the more prominent construction/infra/property names in this rating segment include Pulau Indah Power Plant, Sime Darby Property, PKNS and Ideal Water. However, we find these names are not very liquid, so we refrain from recommending their bonds unless levels become attractive.

Ideal Water Sdn Bhd is the funding unit of Puncak Niaga Holdings Berhad. Its sukuk was upgraded to AA1 from AA2 recently in November 2025, RAM Ratings cited dividend payments from TRIplc Ventures Sdn Bhd (TVSB) (a unit of Puncak). PKNS securities are issued to fund development projects, including property and infrastructure expenditure. Pulau Indah Power Plant Sdn Bhd is part-owned by Worldwide Holdings, which in turn has PKNS and Korea Electric Power Corp (Kepco) as shareholders.

Facilities:

Issuer	Facility	Maturity	Limit (MYR billion)	Outstanding (MYR billion)	Remarks
Ideal Water Sdn Bhd	MYR1.0 billion Murabahah Tranche 1	08/10/2123	1.0	0.0	Non-rated
	MYR1.0 billion Murabahah Tranche 1	08/10/2123	1.0	0.26	Upgraded to AA1 from AA2 in late 2025.
Sime Darby Property Berhad	MYR4.5 billion Perpetual IMTN and 7Y ICP	16/11/2036	4.5	2.1	
Perbadanan Kemajuan Negeri Selangor (PKNS)	MYR1.0 billion ICP	04/05/2028	1.0	0.0	
	MYR1.0 billion IMTB	02/05/2121	3.0	2.6	
Pulau Indah Power Plant Sdn Bhd (PIPP)	20Y MYR3.0 billion Sukuk Wakalah	27/11/2045	3.0	2.8	PIPP owns and operates a 2x600MW combined-cycle plant under a 21Y PPA with TNB. PIPP is a unit of PKNS.

List of select AA1/AA+ tranches:

Select PKNS or Pulau Indah Power tranches may offer value, but trading liquidity may be an issue.

Issuer	Coupon (%)	Maturity	Maturity (years)	Yield (%)	Rating	Liquidity Score (LQA)	G-Spread (vs. MGS) (bps)
PKNS	3.95	05/04/28	2.11	3.57	AA1	65	33
PKNS	4.81	09/15/28	2.48	3.609	AA1	54	37
PKNS	4.99	10/26/28	2.59	3.618	AA1	62	38
PKNS	4.12	07/27/29	3.34	3.679	AA1	37	41
PKNS	4.04	05/03/30	4.10	3.716	AA1	51	40
PKNS	4.20	07/29/31	5.34	3.799	AA1	30	39
PKNS	4.87	01/16/32	5.81	3.829	AA1	34	37
PKNS	3.91	03/09/33	6.95	3.892	AA1	23	37
PKNS	4.14	08/09/34	8.37	3.932	AA1	25	37
PKNS	4.20	02/21/35	8.90	3.938	AA1	33	36
PKNS	4.04	06/19/35	9.23	--	AA1	15	36
PULAU INDAH POWER PLANT	4.18	11/27/31	5.67	3.739	AA+is	47	29
PULAU INDAH POWER PLANT	4.46	05/27/38	12.17	4.062	AA+is	60	31
PULAU INDAH POWER PLANT	4.48	11/26/38	12.67	4.028	AA+is	77	25
PULAU INDAH POWER PLANT	4.50	05/27/39	13.16	4.089	AA+is	71	28
PULAU INDAH POWER PLANT	4.52	11/25/39	13.66	4.109	AA+is	57	27
PULAU INDAH POWER PLANT	4.55	05/25/40	14.16	4.139	AA+is	52	27
PULAU INDAH POWER PLANT	4.57	11/27/40	14.67	4.191	AA+is	13	30
SIME DARBY PROPERTY BHD	4.14	08/21/28	2.40	3.459	AA+is	87	20
SIME DARBY PROPERTY BHD	4.28	08/21/30	4.40	3.54	AA+is	73	19
SIME DARBY PROPERTY BHD	3.64	12/03/30	4.68	3.56	AA+is	74	20
SIME DARBY PROPERTY BHD	4.07	04/27/40	14.08	3.998	AA+is	73	14

5.4 AA2/AA (flat)

There are slightly more actively traded construction-related issuers under the AA2/AA(flat) rating segment. This rating segment is mainly comprised of power and port sector issuers and REITS.

In the power sector, we have Renikola II Solar, comprising two 30 MWac solar plants located in Machang, Kelantan, and Kuala Muda, Kedah. Tadau Energy is a power-generating company focusing on renewable energy (RE). Tadau has phase 1 (2MWac) and phase 2 (48MWac) in Kudat, Sabah. In the port construction sector, there are Northport and Pelabuhan Tanjung Pelepas, and in the property sector, there are SP Setia and REITS such as Sunreit and Axis Reit.

Facilities:

Issuer	Facility	Maturity	Limit (MYR billion)	Outstanding (MYR billion)	Remarks
Renikola II Solar Sdn Bhd	Asean Green Sri Sukuk of Up to MYR390.0 Million	27/09/2041	0.390	0.365	Rated AA2 by RAM. Development costs of two 30 MWac solar plants located in Machang, Kelantan and Kuala Muda, Kedah.
Tadau Energy Sdn Bhd	Tadau Energy 12Y MYR215 million ITMN	01/12/2037	0.215	0.215	
Northport (Malaysia) Berhad	MYR500 million ICP	21/10/2032	0.50	0.000	
	MYR1.0 billion Sukuk Wakalan	14/08/2054	1.00	0.500	To fund port infrastructure works and port equipment.
Pelabuhan Tanjung Pelepas Sdn Bhd	MYR3.5 billion Sukuk Murabahah	17/06/2050	3.50	2.03	Facility upsized to MYR3.5 billion from MYR2.15 billion in 2025.
	Sukuk Murabahah	01/11/2038	0.600	0.240	
SP Setia Berhad	MYR3.0 billion Sukuk Wakalah	25/06/2120	3.0	3.0	
	MYR3.5 billion Senior Sukuk	26/12/2125	3.5	1.5	
Axis REIT	MYR210 million (Fourth Sukuk)	15/06/2032	0.21	0.21	NR
	MYR3.0 billion Sukuk	15/08/2125	3.0	0.540	
Sun REIT	MYR10 billion	09/10/2047	10.0	0.400	

List of select AA2/AA (flat) tranches:

Despite the lack of bonds, AA2 names like PTP and SP Setia remain relatively liquid and should offer value in times of higher volatility in the PDS market.

Issuer	Coupon (%)	Maturity	Maturity (years)	Yield (%)	Rating	Liquidity Score (LQA)	G-Spread (vs. MGS) (bps)
AXIS REIT SUKUK TWO BHD	4.00	08/15/35	9.38	3.823	AA2s	54	23
MEX I CAPITAL BHD	5.80	01/21/37	10.83	4.029	AA2	26	35
MEX I CAPITAL BHD	5.80	01/21/38	11.82	4.061	AA2	23	33
MEX I CAPITAL BHD	5.80	01/21/39	12.82	4.101	AA2	23	31
MEX I CAPITAL BHD	5.80	01/23/40	13.83	4.12	AA2	23	28
NORTHPORT MALAYSIA BHD	3.85	08/15/35	9.38	3.832	AAis	48	24
PELABUHAN TANJUNG PELEPAS	3.74	04/21/26	0.07	3.36	AAis	99	5
PELABUHAN TANJUNG PELEPAS	3.30	08/27/27	1.42	3.487	AAis	85	25
PELABUHAN TANJUNG PELEPAS	3.57	08/26/30	4.41	3.712	AAis	73	37
RENIKOLA II SOLAR	5.19	09/28/40	14.51	4.15	AA2	9	26
SP SETIA BERHAD	4.41	06/23/28	2.25	3.606	AAis	98	36
SP SETIA BERHAD	4.30	06/23/28	2.25	3.602	AAis	85	36
SP SETIA BERHAD	4.56	06/21/30	4.23	4.101	AAis	79	77
SP SETIA BERHAD	4.80	04/21/32	6.07	3.749	AAis	66	25

Issuer	Coupon (%)	Maturity	Maturity (years)	Yield (%)	Rating	Liquidity Score (LQA)	G-Spread (vs. MGS) (bps)
SP SETIA BERHAD	3.91	01/26/33	6.83	3.776	AAis	74	26
SP SETIA BERHAD	4.00	01/25/36	9.83	3.886	AAis	77	27

5.5 AA3/AA-

The number of construction-related bonds within the AA3/AA- rating segment is considerably more. We could find various property construction and utilities companies in this segment, as well as some highway concessionaires and ports.

Facilities:

Issuer	Facility	Maturity	Limit (MYR billion)	Outstanding	Remarks
reNikola Solar Sdn Bhd	Asean Green Sri Sukuk of Up To MYR390.0 Million	11/05/2039	0.39	0.325	Rated AA3 by RAM. To refinance three solar photovoltaic
UEM Sunrise Berhad	UEMS RM2.0B IMTN PROGRAMME	19/12/2042	2.0	0.59	
	UEMS RM2.0 BILLION 7 YEARS ICP & 30 YEARS IMTN PROGRAMMES	18/05/2046	2.0	0.00	
	UEMS RM4.0 BILLION 7 YEARS ICP & PERPETUAL IMTN PROGRAMME	14/02/2121	4.0	3.07	
IJM Corp Berhad	IJM CORP RM3.0 BILLION SUKUK MURABAHAH PROGRAMME	10/04/2034	3.0	0.70	
IJM Land Berhad	IJM LAND RM2.0B PERPETUAL SUKUK PROGRAMME	17/03/2119	2.0	1.25	
IJM Treasury Management Sdn Berhad	IJM TREASURY RM5.0B SUKUK MURABAHAH PROGRAMMES	21/03/2124	5.0	1.5	
Gamuda Land (T12) Sdn Bhd	MYR2.0 billion IMTN	12/08/2050	2.0	0.850	
Gamuda Berhad	MYR5.0 billion 7Y ICP and 30Y IMTN	10/02/2045	5.0	2.75	Gamuda Land (Botanic) has a 10-year MYR500 million facility (non-rated)
	MYR800 million IMTN	19/03/2038	0.800	0	
Malaysian Resources Corporation Berhad	MYR5.0 billion Perpetual IMTN Sukuk Murabahah	14/08/2120	5.0	1.8	
LBS Bina Group Berhad	MYR750 million Sukuk Wakalah	22/01/2123	0.75	0.60	LBS Bina has one outstanding facility, which is non-rated.
Penang Port Sdn Berhad	PENANGPORT RM1.0B SUKUK MURABAHAH PROGRAMME	27/12/2039	1.0	1.0	
Johor Port Berhad	JPB RM1.0 BILLION IMTN PROGRAMME	03/10/2042	1.0	0.60	
	JPB RM1.0 BILLION ICP PROGRAMME	04/10/2029	1.0	0	
MMC Port Holdings Sdn Bhd	MYR1.0 billion Sukuk Murabahah	08/04/2042	1.0	1.0	
Southern Power Generation Sdn Berhad	MYR4.0 billion IMTN Sukuk Wakalah	30/10/2037	4.0	2.825	
Edra Energy Sdn Berhad	MYR5.085 billion Sukuk Wakalah	05/01/2038	5.085	4.025	
Solarvest Holdings Berhad	MYR1,000 million Sukuk Wakalah	05/09/2053	1.0	0.250	Upgraded to AA3 in August 2025
Jimah East Power Sdn Berhad	MYR8.98 billion Sukuk Murabahah	03/12/2038	8.980	7.80	
Malakoff Power Berhad	MALAKOFF POWER 7 YRS RM1.2B ICP PROGRAMME (WITH IMTN PROGRAMME IN COMBINED LIMIT)	18/07/2031	1.2	0.0	
	MALAKOFF POW RM5,400 MILLION IMTN PROGRAMME	17/12/2031	5.4	1.44	

Issuer	Facility	Maturity	Limit (MYR billion)	Outstanding	Remarks
	MALAKOFF POWER 30YRS RM1.2B IMTN PROGRAMME (WITH ICP PROGRAMME IN COMBINED LIMIT)	17/07/2054	1.2	0.250	
Malakoff Corporation Berhad	MALAKOFF 30-YEARS RM1.8 BILLION JUNIOR SUKUK MUSYARAKAH	03/09/2042	1.8	0.00	
Tanjung Bin Energy Issuer Berhad	RM4,500 MILLION SUKUK MURABAHAH UNDER TAWARRUQ	16/03/2032	4.5	0	
Tanjung Bin Energy Sdn Berhad	RM4.5 BILLION SUKUK MURABAHAH	29/03/2041	4.2	3.17	
Konsortium Lebuhraya Utara-Timur (KL) Sdn Berhad	RM2,300 MILLION SUKUK MUSHARAKAH	02/12/2033	2.3	1.49	
Lebuhraya DUKE Fasa 3 Sdn Berhad	MYR5.5 billion Sukuk Murabahah	23/02/2056	5.5	4.03	

List of select AA3/AA- tranches:

There are more AA3/AA- papers to choose from. There are some tranches with compelling spreads on offer, spread across the property construction and civil engineering/utilities subsectors. Some papers which could offer value include notes/bonds issued by Eco World, Edra Energy, Malakoff Power, Pelabuhan Tanjung Pelepas, and UEM Sunrise. G-spreads >30 bps offer the most value, but take note of liquidity as well.

Issuer	Coupon (%)	Maturity	Maturity (years)	Yield (%)	Rating	Liquidity Score (LQA)	G-Spread (vs. MGS) (bps)
ECO WORLD CAPITAL BHD	4.90	08/10/28	2.37	3.601	AA-cg	80	36
ECO WORLD CAPITAL BHD	4.28	11/28/31	5.67	3.788	AA-cg	62	34
EDRA ENERGY SDN BHD	6.06	07/05/29	3.27	3.648	AA3	81	35
EDRA ENERGY SDN BHD	6.12	07/05/30	4.28	3.728	AA3	71	39
EDRA ENERGY SDN BHD	6.35	07/05/33	7.27	3.788	AA3	87	23
EDRA ENERGY SDN BHD	6.39	01/05/34	7.78	3.817	AA3	83	27
EDRA ENERGY SDN BHD	6.43	07/05/34	8.27	3.838	AA3	74	27
EDRA ENERGY SDN BHD	6.63	01/05/37	10.78	3.957	AA3	73	28
EDRA ENERGY SDN BHD	6.67	07/03/37	11.27	3.989	AA3	76	29
EDRA ENERGY SDN BHD	6.71	01/05/38	11.78	4.018	AA3	71	29
GAMUDA LAND T12 SDN BHD	3.75	08/12/27	1.38	3.568	AA3s	89	33
GAMUDA LAND T12 SDN BHD	4.20	10/11/27	1.54	3.587	AA3s	86	34
JOHOR PORT BERHAD	5.10	10/04/27	1.52	3.568	AA-is	97	27
MALAKOFF POWER BHD	6.05	12/17/29	3.72	3.738	AA-is	78	45
MALAKOFF POWER BHD	6.15	12/17/30	4.72	3.793	AA-is	59	40
MALAKOFF POWER BHD	4.48	02/17/32	5.90	3.885	AA-is	26	42
MALAKOFF POWER BHD	4.52	02/16/35	8.89	4.050	AA-is	22	47
MALAYSIAN RESOURCES CORP	4.25	08/13/27	1.38	3.696	AA-is	75	46
MALAYSIAN RESOURCES CORP	5.09	10/18/28	2.56	3.797	AA-is	96	54
MALAYSIAN RESOURCES CORP	4.15	01/28/33	6.84	4.061	AA-is	98	54
MMC PORT HOLDING SDN BHD	4.40	04/08/27	1.03	3.562	AA-is	81	27
MMC PORT HOLDING SDN BHD	4.66	04/06/29	3.03	3.704	AA-is	76	44
MMC PORT HOLDING SDN BHD	4.83	04/08/32	6.03	3.839	AA-is	73	36
NORTHPORT MALAYSIA BHD	3.85	08/15/35	9.38	3.832	AAis	48	24
PELABUHAN TANJUNG PELEPAS	3.30	08/27/27	1.42	3.487	AAis	85	25
PELABUHAN TANJUNG PELEPAS	3.57	08/26/30	4.41	3.712	AAis	73	37
PENANG PORT SDN BHD	4.68	12/26/31	5.75	3.818	AA-is	89	37
SOUTHERN POWER GENERATION	5.33	04/30/32	6.09	3.839	AA-is	42	35
SOUTHERN POWER GENERATION	5.49	04/28/34	8.08	3.871	AA-is	44	30

Issuer	Coupon (%)	Maturity	Maturity (years)	Yield (%)	Rating	Liquidity Score (LQA)	G-Spread (vs. MGS) (bps)
SOUTHERN POWER GENERATION	5.61	10/31/35	9.59	3.929	AA-is	75	32
TANJUNG BIN ENERGY SDN BHD	5.70	03/16/27	0.97	3.734	AA3	99	33
TANJUNG BIN ENERGY SDN BHD	6.03	05/23/30	4.16	3.971	AA3	35	65
TANJUNG BIN ENERGY SDN BHD	6.05	09/13/30	4.47	3.991	AA3	60	65
TANJUNG BIN ENERGY SDN BHD	6.15	09/15/31	5.47	4.028	AA3	53	59
TANJUNG BIN ENERGY SDN BHD	6.20	03/16/32	5.97	4.082	AA3	69	60
UEM SUNRISE BHD	5.45	06/18/27	1.22	3.576	AA-is	91	24
UEM SUNRISE BHD	4.87	09/29/28	2.51	3.662	AA-is	96	39
UEM SUNRISE BHD	4.50	02/12/29	2.88	3.682	AA-is	80	42
UEM SUNRISE BHD	4.04	08/23/33	7.41	3.852	AA-is	81	32
UEM SUNRISE BHD	4.84	02/14/34	7.89	3.891	AA-is	69	34
UEM SUNRISE BHD	3.92	07/30/35	9.34	3.885	AA-is	62	30
UEM SUNRISE BHD	4.10	02/12/38	11.88	4.100	AA-is	81	37

Note: Liquidity Score (LQA) denotes Bloomberg's liquidity assessment. A score of 100 denotes the most liquid security.
Data as of 1 April 2026.
Sources: Bloomberg, AmBank Economics.

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