

# Sabah Budget 2026: A catalyst for sustainable development

TBP 05.01.2026 P.12

THE Sabah Budget 2026, tabled by Datuk Seri Panglima Haji Masidi Manjun, Minister of Finance, on Dec 12, 2025, carries the theme "Driving Development, Prioritising the Well-being of the People." This is a multi-pronged budget, well-positioned to address the challenges of 2026 in tandem with strengthened fiscal fundamentals and increased investment, driven by the recovery of the tourism sector, growth in trade activities and rising employment.

In 2024, Sabah's Gross Domestic Product (GDP) rose to RM84.3 billion compared with RM83.4 billion the previous year. Sabah contributed 5.1 per cent to the national economy and ranked seventh among Malaysia's major GDP contributors. The Services sector remained the largest contributor to the state economy at RM44.2 billion, followed by Mining and Quarrying at RM18.5 billion, Agriculture at RM12.1 billion, Manufacturing at RM6.1 billion and Construction at RM3.0 billion (Table 1).

In 2025, Sabah recorded highly encouraging macroeconomic growth. The rapid expansion of international trade between Sabah and overseas markets was evident. As of September 2025, Sabah posted a trade surplus of RM8 billion, with exports amounting to RM43.7 billion and imports RM35.6 billion. Despite global trade pressures, Sabah's economy remained resilient, with inflation at 1.1 per cent, average monthly household income rising to RM6,498, and a decline in the poverty rate – reflecting improved well-being among the people and more sustainable growth prospects for 2026.

The Sabah Budget 2026 is expected to accelerate the state's economic development. It places emphasis on socio-economic balance, human capital empowerment, improvements to basic infrastructure and strengthening the efficiency of government service delivery systems. The government has proposed Supply Expenditure of RM6.402 billion against Estimated Revenue of RM6.430 billion, resulting in a budget surplus of RM28 million.

The budget focuses on long-term development-oriented programmes and activities to generate economic growth, create employment opportunities and enhance public facilities. The ministries receiving the largest allocations are the Ministry of Finance (RM2.899 billion), the Ministry of Works and Utilities (RM1.122 billion) and the Chief Minister's Department (RM792.83 million). Other ministries – including agriculture, rural development, local government, education, health, tourism and youth – have also received reasonable allocations to ensure comprehensive and sustainable development across Sabah.

Sabah has successfully maintained a stable fiscal position, with revenue collection reaching RM6.842 billion in 2024. Revised Estimated Revenue for 2025 increased to RM6.658 billion, driven by State Sales Tax, federal



Professor  
Datuk Dr  
Kasim Hj  
Mansor

government contributions and investment income. For 2026, Estimated Revenue is projected at RM6.430 billion, influenced by uncertainties in the prices of key commodities such as petroleum and crude palm oil. Of this amount, tax revenue is estimated at RM2.771 billion, non-tax revenue at RM2.348 billion, and non-revenue receipts at RM1.311 billion.

Sabah's Development Expenditure for 2026 is proposed at RM1.865 billion – a relatively modest amount given the state's vast size. As a key driver of economic growth, this includes RM1.468 billion from the State Government and RM397.21 million from the Federal Government in the form of loans and reimbursements. Under the 13th Malaysia Plan, the overall development allocation ceiling stands at RM12.02 billion to implement 1,173 development programmes and projects, making it the largest development allocation in Sabah's budget history. A total of 241 continuation projects and 932 new projects are expected to have a significant impact on economic development and public well-being.

Three key sectors – Agriculture, Industry and Tourism – have been rightly identified as the main growth drivers for Sabah's economy in 2026. Efforts to strengthen these sectors are supported by quality infrastructure and public facilities, enhanced high-skilled human capital, adoption of the latest science and technology, and improvements to a more efficient and effective government service delivery system.

## Food Security

The agriculture, fisheries and food industries continue to be the backbone of Sabah's socio-economic development. These sectors play a crucial role in ensuring food security and increasing rural incomes. A total of RM559.85 million has been allocated to the Ministry of Agriculture, Fisheries and Food Industry for 2026, while RM75.75 million is set aside for operations and assistance to fishermen, farmers and livestock breeders.

## Blue Economy

The 2026 Budget introduces a distinctive focus by taking into account Sabah's strategic location, surrounded by three seas. It is expected to strengthen the development of the blue economy through strategic initiatives that emphasise sustainable marine resource management, science-based innovation and the empowerment of coastal communities.

Following the Sabah International Blue Economy Conference (SIBEC) 2024, several projects and collaborations have been implemented, including the establishment of the Sabah Blue Economy Council, the Blue Economy and Maritime Security Research Centre at Universiti Malaysia Sabah, and a Blue Financing Memorandum of Understanding with Maybank Group Global Banking.

For 2026, the Sabah Government has allocated RM1 million for the preparation of the Kudat Blue Economy Industrial Park Master Plan, while RM900,000 has been channelled to the Sabah Fisheries Department to implement the Fisheries Blue Economy Initiative, supporting food security, coastal community development and sustainable economic growth.

## Sabah as an Investment Destination

As of the second quarter of 2025, Sabah successfully attracted RM11.368 billion in investments, covering both domestic and foreign investments in the Manufacturing, Services and Primary sectors. Of this amount, Manufacturing received RM7.472 billion, Services RM3.139 billion, and the Primary sector (Industry, Tourism and Agriculture) RM757 million. This achievement placed Sabah as the fifth-highest investment recipient in Malaysia, surpassing the total investment of RM6.458 billion recorded in 2024.

Among the major investments driving industrial growth is the Phase One investment by Singapore-based Essteel Enterprise Sabah Sdn Bhd, valued at RM6.592 billion, for the construction of a green steel manufacturing plant at the Sipitang Oil and Gas Industrial Park, including a private jetty to support logistics activities. This investment is expected to generate high-skilled employment opportunities and strengthen the local steel supply chain.

The Sabah Government has allocated RM249.19 million for the development of the Industrial sector in 2026. Of this, RM194.04 million has been allocated to the Ministry of Industrial Development, Entrepreneurship and Transport and its agencies to drive growth, investment promotion and trade activities. The State Entrepreneurship Programme receives RM5 million, while RM16.86 million is allocated for international expos.

Other allocations include RM1.5 million for the SME-UP Assistance Programme, RM2.05 million for high-impact programmes such as Sabah Sandbox Accelerate 2026 and Pitchborneo, and RM5 million for the Empowerment of Village Products Programme. Priority has also been given to industrial parks such as KKIP, POIC Lahad Datu and SOGIP, as well as SEDCO projects, slope works, flyovers and new locomotives, alongside port infrastructure upgrades including terminals, jetties and shipping traffic monitoring systems.

The Sabah Government has allocated RM174.45 million to

the Ministry of Tourism, Culture and Environment to stimulate the tourism sector. New projects include the New Sabah Museum, the Kota Kinabalu Performing Arts Centre (KKPAC), Arte Museum, the Marine Gallery at Tun Mustapha Park in Kudat, and upgrades to tourism facilities at Bohey Dulang Island in Semporna, Petagas War Memorial Park, Ranau Ethnic Museum, Penampang Cultural Centre and Tenom Murut Cultural Centre.

The Ethnic Cultural Mapping Development 2026–2030 programme, aimed at systematically documenting Sabah's ethnic and cultural diversity, is among the key initiatives to attract tourists to the state.

## Human Capital

Human capital development remains the backbone of progress. The 2026 Budget allocates RM437.93 million for human capital development, covering academic, skills, spiritual and vocational training aspects. In line with a digital and AI-driven economy, the budget emphasises courses related to TVET, STEM, digital innovation, oil and gas, hospitality, safety and health, agriculture and oil palm plantation training.

Educational assistance continues through scholarships, grants and programmes such as BUDI, BAIK, BAKTI, SUBFLY and SENTOSA. A new initiative, BAYU, provides RM150 each to 8,458 students sitting for MUET in 2026.

The empowerment of women and other vulnerable groups has not been overlooked. A total of RM173.56 million has been allocated to the Ministry of Women, Health and Community Well-being. Persons with disabilities, senior citizens, children, single mothers, orphans and the poor – including haemodialysis patients and Autism Sabah centres – will benefit from the budget. The Special Needs Early Childhood Education Centre in Nabawan receives RM12.69 million. Community awareness programmes on family, health, consumerism and women's leadership receive RM960,000, while PEMADAM Sabah is allocated RM550,000 for drug prevention programmes.

Youth engagement in sports also receives attention, with RM98.06 million allocated to the Ministry of Youth Development, Sports Advancement and

Creative Economy for operating and development expenditure in 2026. The Sabah State Sports Council has been tasked with talent scouting, high-performance training and Paralympic athlete preparation, including a feasibility study for the Kota Kinabalu Main Stadium.

## Poverty Eradication

The Sabah Government remains committed to eradicating poverty through the Hardcore Poor Eradication Programme and the Sentuhan Kasih Rakyat (SYUKUR) Programme, which provides RM300 monthly assistance to 100,000 poor and hardcore poor recipients. As of Nov 3, 2025, Sabah recorded zero hardcore poor household heads, offering relief to beneficiaries.

A total of 55,782 households remain classified as poor and are the focus of targeted interventions.

In 2026, high-impact programmes such as MySMJ Profiling, Rumah Mesra SMJ, Education Assistance, MySMJ Kerja and the SYUKUR Programme will be expanded.

The 2026 Budget also continues to prioritise rural welfare, with RM317.72 million allocated to the Ministry of Rural Development. Focus areas include the Alternative Rural Electricity Supply Programme (BELBA), the Alternative Rural Water Supply Programme (BALBA) and the Rural Small Bridge Project (JKLB).

To address persistent road and water issues, RM4.80 billion has been allocated to the Ministry of Works and Utilities. Priority programmes include upgrading water treatment plants in Papar, Lahad Datu, Tawau, Kota Kinabalu and Sandakan, as well as maintenance of critical assets. Sewerage projects such as the Ranau Sludge Treatment Plant, repairs to critical pipelines in Kota Kinabalu and Tawau, and a RM2 million review of the State Sewerage System Master Plan are also prioritised.

Two high-impact projects – the Kota Kinabalu South and Tuaran Sewerage Treatment Plants, with RM20 million allocated – are expected to significantly support development in the rapidly growing capital and surrounding areas.

The Sabah Government has allocated RM195.56 million for biodiversity sustainability and natural resource conservation programmes. The 2026 Budget also emphasises research and

development in biotechnology for industrial, medical and agricultural benefits.

Recognising the importance of GLC contributions, the budget stresses corporate governance within State Statutory Bodies and GLCs through the establishment of JPP-KKNS and SALIC to monitor performance, loans and investments. The Chief Minister has also called on GLCs to submit regular reports to ensure integrity is upheld.

Undeniably, the Sabah Budget 2026 allocates substantial resources to enhance public well-being and comprehensive state development. With strong governance, these allocations are expected to drive economic growth, strengthen social well-being and ensure inclusive and sustainable development for the people of Sabah.

Overall, the Sabah Budget 2026 has a significant impact on the state's economic, social, infrastructure and governance landscape. Large allocations to key sectors such as agriculture, industry and tourism are expected to catalyse sustainable growth.

Agriculture and fisheries development, through modern projects and assistance to farmers, fishermen and breeders, will enhance rural productivity and household incomes. The development of the food industry and blue economy will further strengthen food security and coastal economies while creating high-skilled employment opportunities.

Industrial development, driven by domestic and foreign investment – including the green steel plant project – will boost investment, production and local supply chains. The tourism sector will directly benefit communities through improved facilities, cultural and heritage promotion, and new projects such as museums, arts centres and marine galleries, generating creative economic activities and local employment.

The implementation of these strategic programmes will not only improve quality of life but also position Sabah as a progressive and stable region, aligned with the Sabah Maju Jaya 2.0 Development Plan and the 13th Malaysia Plan.

The state's growth potential would be further amplified should 40 per cent of Sabah's revenue be channelled back as an economic stimulus, producing positive multiplier effects.

Table 1: Sabah GDP by Type of Economic Activity at Constant 2015 Prices (RM '000)

| Economic Activity         | 2020   | 2021   | 2022   | 2023e  | 2024p  |
|---------------------------|--------|--------|--------|--------|--------|
| Agriculture               | 12,798 | 12,518 | 12,549 | 12,628 | 12,205 |
| Mining and Quarrying      | 19,936 | 20,574 | 20,455 | 19,535 | 18,551 |
| Manufacturing             | 6,042  | 5,931  | 5,780  | 6,033  | 6,103  |
| Construction              | 2,197  | 2,368  | 2,517  | 2,490  | 2,958  |
| Services                  | 36,597 | 37,369 | 40,605 | 42,413 | 44,209 |
| GDP at Purchasers' Prices | 77,840 | 79,000 | 82,176 | 83,363 | 84,303 |

Source: Sabah State Socioeconomic Report

Note: p = forecast, e = estimate

Professor Datuk Dr Kasim Hj Mansor  
Vice-Chancellor Universiti Malaysia Sabah