



# **COUNTRY REPORT**

## **MASTER BUILDERS ASSOCIATION MALAYSIA (MBAM)**

---

**28<sup>TH</sup> SEPTEMBER 2017**  
**SINGAPORE**  
**BY FOO CHEK LEE**  
**MBAM PRESIDENT**

# PRESENTATION OUTLINE

---

- **Brief Outlook on Malaysia Economy**
- **Construction Industry Performances**
- **Construction Industry Productivity Performance**
- **Challenges & Issues in the Construction Industry**
- **Future Outlook**

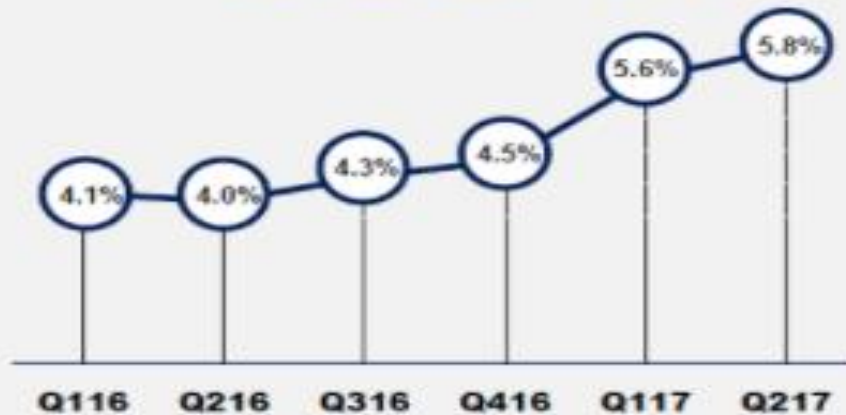
# MALAYSIA ECONOMY

**Q2 2017**



## GDP GROWTH RATE

 **5.8%**



*GDP at Current Prices*  
**USD78.73billion**

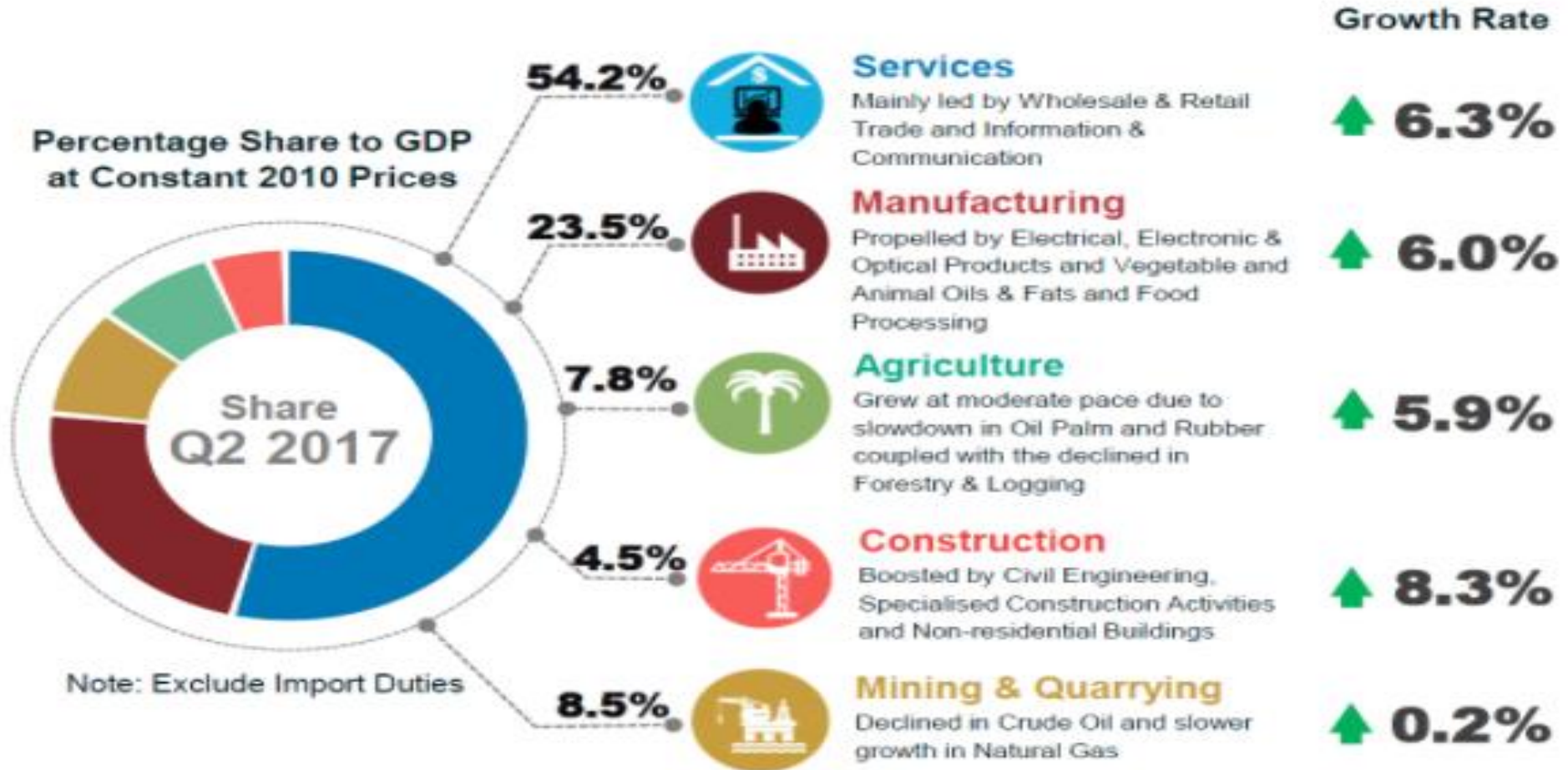


*GNI per capita  
at Current Prices*  
**USD9,583.51**

# PRODUCTION

## Services and Manufacturing

Continued as key contributors to the economy...



The value of construction work done in Q2 2017 grew at a faster rate of **11.2 per cent** (Q1 2017 : 9.7%) to record | **USD7.92 billion**

**THE EXPANSION WAS DRIVEN BY POSITIVE GROWTH IN ALL SUB-SECTORS, Q2 2017**



**CONTRIBUTION OF CONSTRUCTION WORK DONE, Q2 2017**



The private sector dominates **63.8%** compared to **36.2%** of the public sector



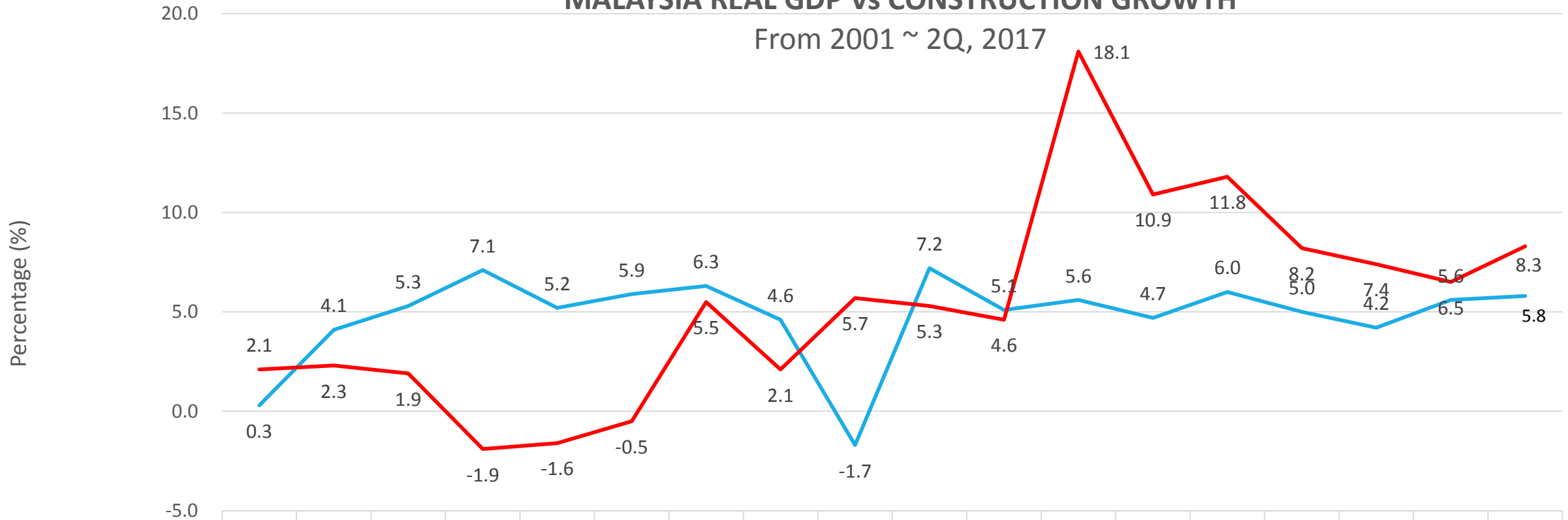
Note: All percentage shown referred to Year-On-Year (YoY)

Source: Quarterly Construction Statistics, Second Quarter 2017

# The Malaysian Construction Industry

## MALAYSIA REAL GDP Vs CONSTRUCTION GROWTH

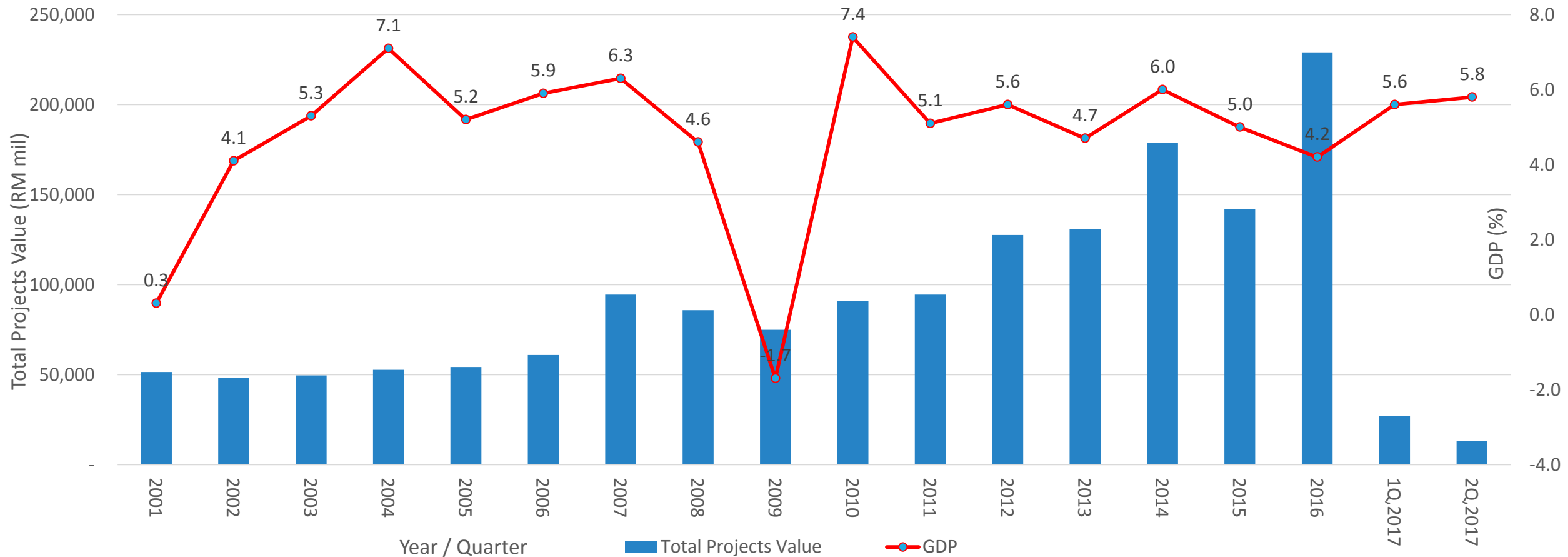
From 2001 ~ 2Q, 2017



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	1Q, 2017	2Q, 2017
— Real GDP	0.3	4.1	5.3	7.1	5.2	5.9	6.3	4.6	-1.7	7.2	5.1	5.6	4.7	6.0	5.0	4.2	5.6	5.8
— Construction	2.1	2.3	1.9	-1.9	-1.6	-0.5	5.5	2.1	5.7	5.3	4.6	18.1	10.9	11.8	8.2	7.4	6.5	8.3

# The Malaysian Construction Industry

TOTAL CONSTRUCTION PROJECTS VALUE VS GDP



# MALAYSIA'S PRODUCTIVITY PERFORMANCE

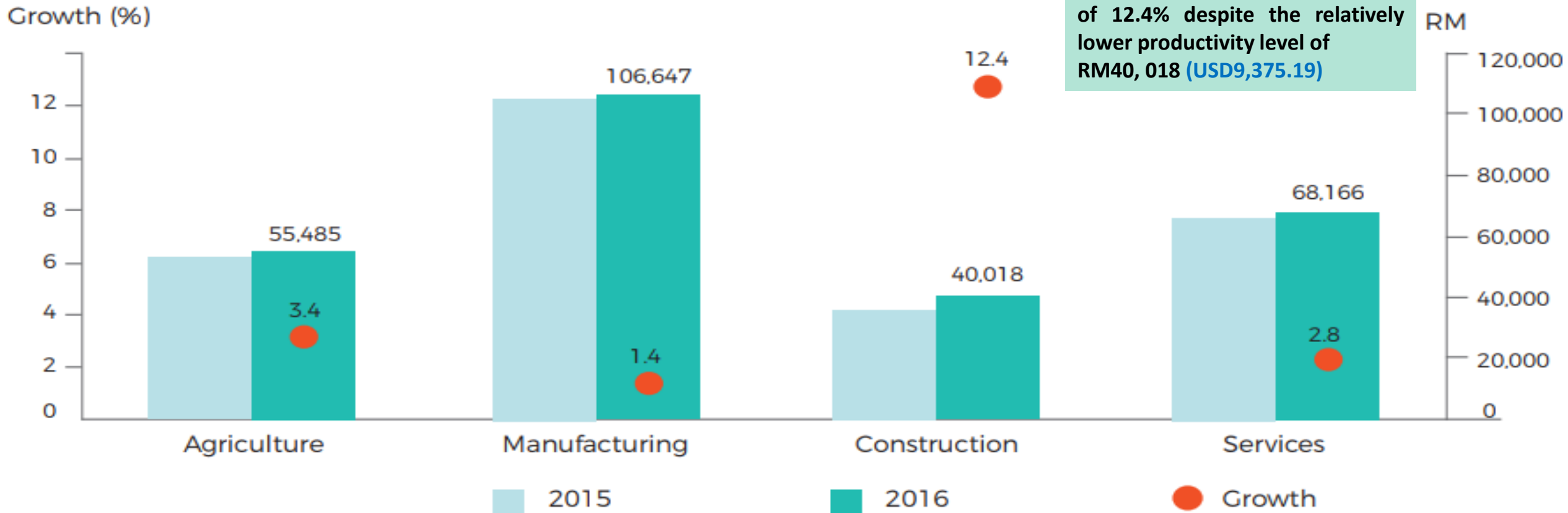
---

- **Sectors labour market - the construction industry recorded a contraction of 4.4%.**
- **Malaysia experienced increases in working-age population but labour shortages in certain segments seemed to have distorted the country's labour market.**
- **Shortage of the right skills to work in a global, modern, and corporate environment.**
- **More upskilling programmes and on-the-job training, especially in basic technology training needed rather than depending on external talents.**



# MALAYSIA'S PRODUCTIVITY PERFORMANCE

**Figure 1.2: Main Economic Sectors Labour Productivity, 2015 and 2016**



# COMMON WAGES FOR CONSTRUCTION WORKERS

Central: Kuala Lumpur	
Category of Workers	January 2017
	Common (RM)
General Construction Worker - Building	63.00-53.00
General Construction Worker - Civil	63.00-59.00
Concretor, Skilled	80.00-90.00
Concretor, Semi-skilled	70.00-78.00
Bricklayer, Skilled	84.00 - 97.00
Bricklayer, Semi-skilled	70.00 - 78.00
Plasterer, Skilled	98.00-109.00
Plasterer, Semi-skilled	79.00-86.00
Tiler, Skilled	115.00-131.00
Tiler, Semi-skilled	83.00-99.00
Barbender, Skilled	87.00-99.00
Barbender, Semi-skilled	74.00-87.00
Carpenter - Formwork, Skilled	92.00-103.00
Carpenter - Formwork, Semi-skilled	72.00-81.00
Carpenter - Joinery, Skilled	106.00-138.00
Carpenter - Joinery, Semi-skilled	81.00-94.00
Steel Structure Fabricator, Skilled	98.00-121.00
Steel Structure Fabricator, Semi-skilled	83.00-93.00

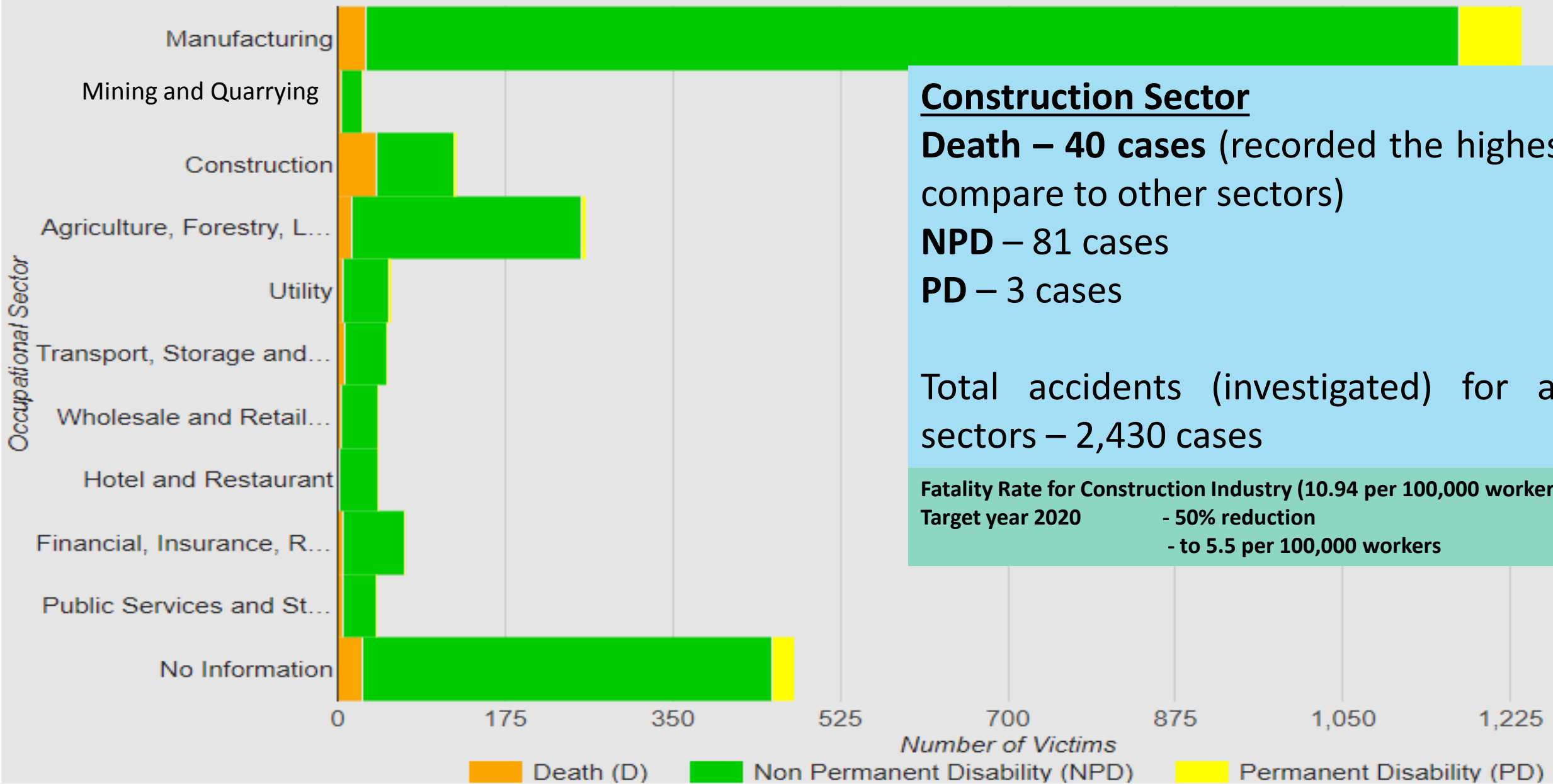
Central: Kuala Lumpur	
Category of Machine Operators	January 2017
	Common (RM)
Pile Rigger, Skilled	91.00-109.00
Pile Rigger, Semi-skilled	64.00-80.00
Off Road Truck Operator, Skilled	93.00-108.00
Off Road Truck Operator, Semi-skilled	75.00-83.00
Backhoe Loader Operator, Skilled	95.00-114.00
Roller / Compactor Operator, Skilled	92.00-108.00
Roller / Compactor Operator, Semi-skilled	71.00-80.00
Motor Grader Operator, Skilled	97.00-115.00
Mobile Crane Operator, Skilled	123.00-150.00
Mobile Crane Operator, Semi-skilled, Local	101.00-113.00
Tower Crane Operator, Skilled, Local	131.00-165.00
Tower Crane Operator, Semi-skilled, Local	103.00-134.00

**Note: US\$1 = RM4.20**

# BUILDING MATERIALS PRICES

Year 2017		Remark	Month							
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
<b>Economy</b>										
GDP	Gross Domestic Product	F:2017:5.0%	5.60%			5.80%			N/A	
CPI	Consumer Price Index	% (2010=100%)	118.20	119.70	119.60	119.30	119.10	118.90	118.80	N/A
BLR	Base Lending Rates	%	6.66	6.66	6.66	6.65	6.65	6.65	6.66	
ALR	Average Lending Rates	%	4.56	4.61	4.60	4.59	4.61	4.63	4.61	
LAC	Loans Approved for Constructions	RM Million	1,878.661	3,061.079	3,030.787	2,086.87	3,435.57	1,821.93	2,971.14	
<b>Price Trend - Central Region</b>										
Sand	Washed	RM/Tonne	34.00~36.00	34.00~36.00	34.00~36.00	34.00~36.00	34.00~36.00	34.00~36.00	34.00~36.00	34.00~36.00
Steel	T-Bar - T10/T12/T40	RM/MT	2,410~2,450	2,370~2,430	2,330~2,400	2,310~2,320	2,130~2,250	2,170~2,210	2,200~2,480	2,530~2,710
	T-Bar - T16/T32	RM/MT	2,266~2,300	2,220~2,280	2,180~2,250	2,160~2,170	1,980~2,100	2,020~2,060	2,050~2,330	2,380~2,560
Brick	Common Clay Brick	RM/Piece	0.323~0.350	0.323~0.350	0.323~0.350	0.323~0.350	0.323~0.350	0.323~0.350	0.323~0.350	0.323~0.350
Cement	Ordinary Portland Cement	RM/50kg/Bag	17.50~17.75	17.50~17.75	17.25~17.75	15.35~19.25	14.35~19.25	15.85~19.25	14.65~19.25	16.25~17.25
		RM/Bulk/Tonne	269~280	269~280	269~280	269~280	269~280	269~280	269~280	269~280
Timber	Sawn - 1" X 2"	RM/Tonne	780~900	780~900	780~900	780~900	790~900	790~900	800~900	800~900
	Sawn - 2" X 4"	RM/Tonne	630~750	630~750	630~750	630~750	630~750	630~750	640~750	640~750
	Plywood - 12mm X 4' X 8'	RM/Sheet	45.00~49.00	44.00~49.00	44.00~49.00	45.00~49.00	45.00~49.00	45.00~49.00	46.00~49.00	46.00~49.00
Diesel		Sen/Litre	2.05	2.15	2.20	2.08~2.21	1.95~2.14	1.84~2.02	1.91~1.99	2.01~2.06
<b>Private</b>										
Housing Launches / Approvals		Units	13,881	15,758	22,309	9,169	11,484	13,310	N/A	
Sales & Advertising Permits - New		Units	60	66	70	64	64	57		

# Occupational Accidents By Sector Until July 2017 (Investigated)



**Construction Sector**  
**Death – 40 cases** (recorded the highest compare to other sectors)  
**NPD – 81 cases**  
**PD – 3 cases**

Total accidents (investigated) for all sectors – 2,430 cases

**Fatality Rate for Construction Industry (10.94 per 100,000 workers)**  
 Target year 2020 - 50% reduction  
 - to 5.5 per 100,000 workers

# CHALLENGES & ISSUES IN THE CONSTRUCTION INDUSTRY

---

## Shortages of Manpower

- Estimated 15,000 construction projects ongoing at any one time.
- Industry continue face shortage of manpower.
- Constant change of Government policies makes hiring foreign workers harder.
- Construction cost increase.

# CHALLENGES & ISSUES IN THE CONSTRUCTION INDUSTRY

---

## Higher Input Costs

- **Cost of construction has increased due to higher cost – impact the margin going forward.**
- **The building sector has been affected by the declining ringgit.**

# CHALLENGES & ISSUES IN THE CONSTRUCTION INDUSTRY

## The Movement of Ringgit

- The high-end projects are affected since they required imported building materials.
- There has been an increase in imported intermediate inputs such as clay tile and ceramics.
- The weakened ringgit has also contributed to an additional burden of 2% to 3% in overall development costs.
- Some developers have shifted sourcing to local suppliers to mitigate the impact.
- The lower ringgit may cause construction costs for new development projects to rise by 10% to 15%.

# CHALLENGES & ISSUES IN THE CONSTRUCTION INDUSTRY

---

## Foreign Contractors

- **Concern of competition from global players taking over the market share of local firms in particular foreign contractors.**
- **Foreign Contractors have the financial capabilities – backing from their Government.**



# CHALLENGES & ISSUES IN THE CONSTRUCTION INDUSTRY

---

## Industrialised Building System (IBS) Fund

- **By 2018, private projects are compulsory to use IBS.**
  - Private construction projects in Klang Valley costing more than RM50 million (USD11.30 million) with 50% IBS score.
  - Government projects exceeding RM10 million (USD2.26 million) with the IBS score of 70%.
- **In 2020, private projects in Penang, Selangor and Johor to adopt IBS for project value RM50million and above with IBS score of 50%.**

# CHALLENGES & ISSUES IN THE CONSTRUCTION INDUSTRY

---

## Employment Insurance Scheme (EIS)

**Objective : To provide insurance coverage for the employees who are retrenched and not compensated by the Employer.**

**Funding : Monthly salary deduction of 0.2% from Employer & 0.2% from Employee with a total contribution of 0.4%**

**Status : To be tabled in the Parliament soon**

**Implication : Add additional cost to the construction industry**

# CHALLENGES & ISSUES IN THE CONSTRUCTION INDUSTRY

---

## Employer Mandatory Commitment (EMC)

- Under the EMC, employers are solely responsible for the payment of levy for their workers, which means that employers will no longer be allowed to make deductions from workers.
- With the current EMC framework, our assessment is that construction companies would be the hardest hit:
  - a. estimated USD500 million in extra cost.

# FUTURE OUTLOOK

- Malaysia's construction industry will grow by 6.7% in real terms in 2017 and at an annual average of 5.8% between 2017 and 2021.
- Growth promoted by Government-led infrastructure developments especially in the transport sector.
- The industry is also pushing for the Construction Industry Transformation Programme (CITP) 2016-2020 to improve quality safety & professionalism; environment sustainability; productivity & internationalisation.
- Projects in the pipeline includes:
  - i. High-speed railway to Singapore
  - ii. Port expansions
  - iii. Upgrades to Kuala Lumpur's mass transit network

**GRACIAS**  
**ARIGATO**  
**SHUKURIA**  
**JUSPAXAR**  
**DANKSCHEEN**  
**TASHAKKUR ATU**  
**YAQHANYELAY**  
**SUKSAMA**  
**THANK**  
**YOU**  
**BOLZİN**  
**MERCİ**  
**BIYAN**  
**SHUKRIA**  
**TINGKI**  
**GRAZIE**  
**MEHRBANI**  
**PALDIES**  
**GOZAIMASHITA**  
**EFCHARISTO**  
**MINMONCHAR**  
**MAAKE**  
**KOMAPSUMNIDA**  
**LAH**  
**MAKETAI**  
**SPASIBO**  
**SNACHALHUYA**  
**NUHUN**  
**CHALTU**  
**WABEEJA**  
**MAITEKA**  
**HUI**  
**YUSPAGARATAM**  
**ATTO**  
**ANHA**  
**UNALCHEESH**  
**HATUR**  
**SI**  
**MERSI**  
**SPASIBO**  
**DENKAUJA**  
**HENACHALHYA**  
**EKOJU**  
**SIKOMO**  
**TAVTAPUCHI**  
**MEDAWAGSE**  
**BAIKA**  
**MERASTAMHY**  
**GAEJTHO**  
**AGUYJE**  
**FAKAAUE**  
**YUSPAGARATAM**