COUNTRY REPORT
MASTER BUILDERS ASSOCIATION MALAYSIA (MBAM)

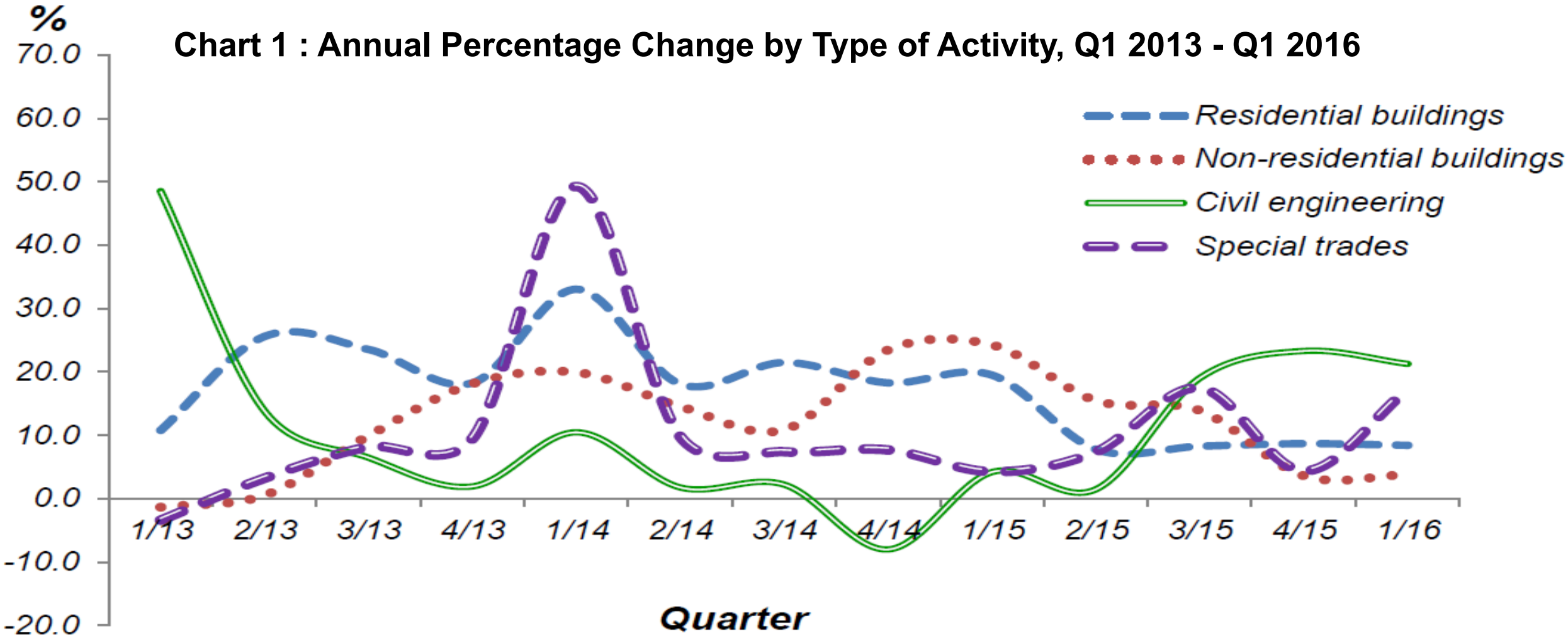
3RD JUNE 2016

BANGKOK, THAILAND

Presentation Outline

- Brief Outlook on Malaysia Economy
- Construction Industry Performances & Related Matters
- Construction Industry Transformation Programme (CITP)
- Challenges & Issues in the Construction Industry
- Conclusion

- **The Economy** growth would be **4% to 4.5% in 2016** from 5% in 2015 due to slower growth in all sectors.
- The **Construction Sector is expected to grow moderate in 2016.**
- **Outlook** for construction industry for 2016 **remains attractive on the back of continued Government development policie**s with strong emphasis on infrastructure development projects.



The highest growth was contributed by the **civil engineering sub-sector with 21.3 per cent or RM10.6 billion (USD2.57billion)**, followed by the **special trades activities (17.3%)**, **residential buildings (8.4%)** and **non-residential buildings (3.8%)** as shown in Chart 1.

EMPLOYMENT TRENDS

Working Age Population

20.3 million

Labour Force

13.6 million

Outside Labour Force

6.7 million

Employed

13.2 million

Unemployed

424.6 thousand

Labour force participation rate (LFPR)

67.0%

Unemployment rate

3.1%

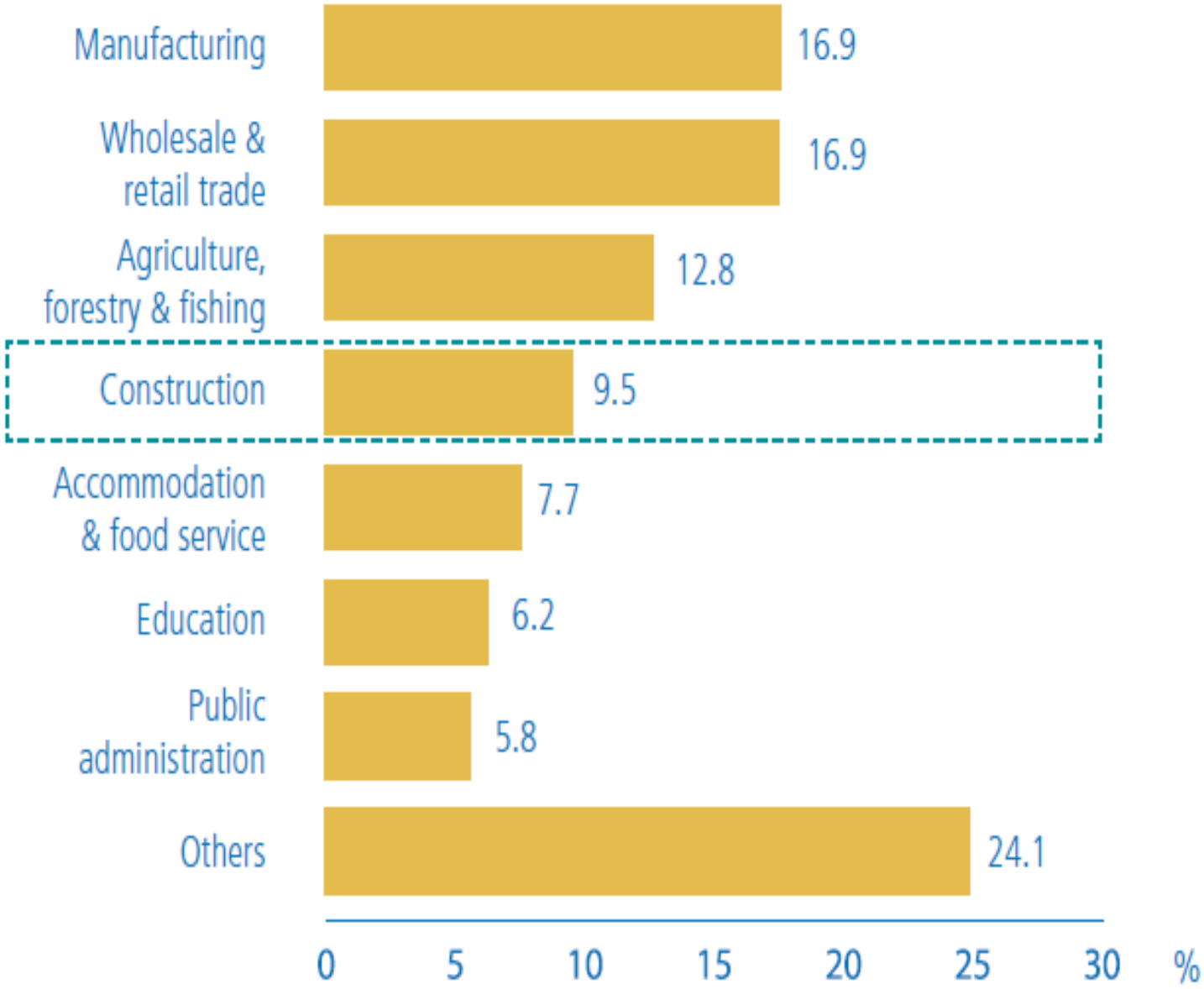
Source: Labour Force Survey Report 2013, Department of Statistics, Malaysia

- Unemployment rate was recorded at **3.5% in March 2016**.
- Unemployment rate in Malaysia averaged 3.26% from 1998 until 2016, reaching on all time high of 4.5% in March 1999 and a record low of 2.7% in August 2012.

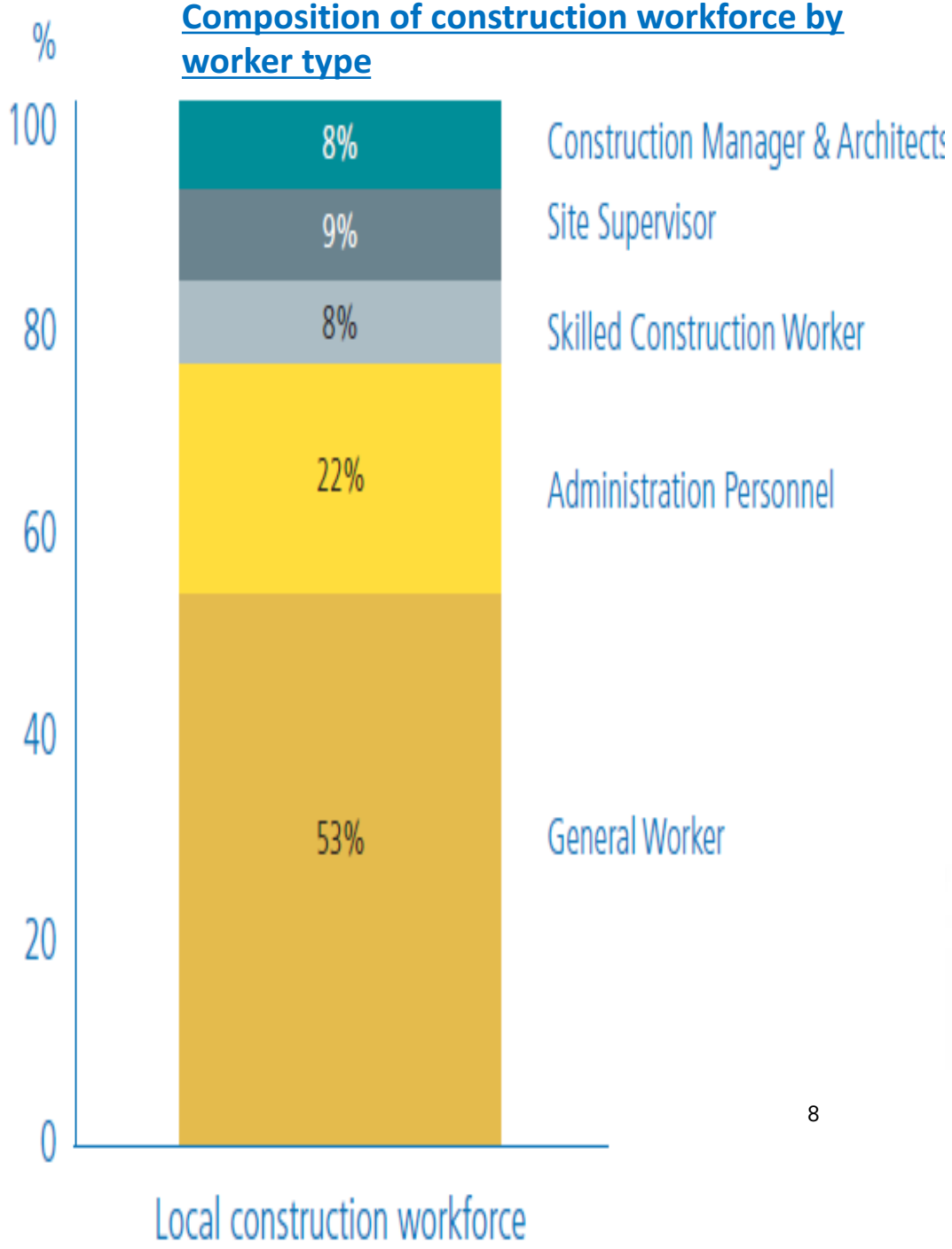
Employment in the Construction Industry

- It is Malaysia's fourth largest employer, employing approximately **1.2 million registered workers, representing 9.5% of the total national workforce**.

Employees by industry



Composition of construction workforce by worker type



CONSTRUCTION INDUSTRY TRANSFORMATION PROGRAMME

CONSTRUCTION INDUSTRY TRANSFORMATION PROGRAMME

- The Ministry of Works, Malaysia through CIDB Malaysia, has developed the **Construction Industry Transformation Programme (CITP**) to empower and strengthen the construction industry as outlined in the thrusts of the 11th Malaysia Plan.
- Encompasses 4 main four strategic thrusts:

  A. Quality, Safety and Professionalism

  B. Environmental Sustainability

  C. Productivity

  D. Internationalisation

CONSTRUCTION INDUSTRY TRANSFORMATION PLAN (CITP) 18 INITIATIVES TO TRANSFORM THE CONSTRUCTION INDUSTRY ACROSS 4 STRATEGIC THRUSTS

Quality, Safety & Professionalism

- **Q.1** Improve workplace safety and workers' amenities
- **Q.2** Improve case of doing business by addressing regulatory constraints
- **Q.3** Increase Implementation of QLASSIC and publish scores
- **Q.4** Improve Quality of Construction via compliance to international and CIDB quality standards

Environmental Sustainability

- **S.1** Drive innovation in sustainable construction via Centre of Excellence
- **S.2** Public projects to lead the charge on sustainable practice
- **S.3** Reduce irresponsible waste in construction industry via regulations
- **S.4** Facilities Industry adoption of sustainable developments/practices
- **S.5** Drive compliance to environmental sustainability ratings and certification requirements

Productivity

- **P.1** Continued investment in human capital development in the construction industry
- **P.2** Accelerate adoption of IBS and mechanization
- **P.3** Roll-out technology advantage for construction
- **P.4** Advance strategic info, provision for policy formulation and business planning
- **P.5** Enhance control and balance of workforce supply
- **P.6** Accelerate Bumiputera / SME capacity and capability-building

Internationalisation

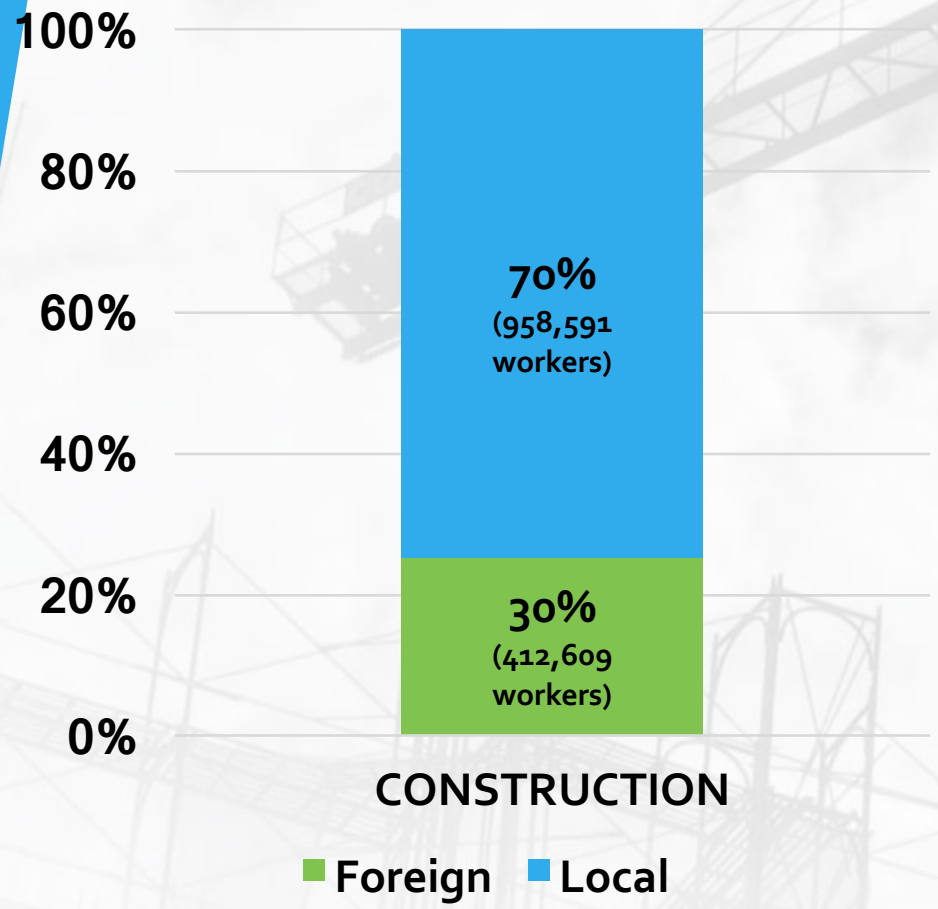
- **I.1** Internationalise construction processes and standards
- **I.2** Provide privileged access to financing for Malaysian champions going abroad
- **I.3** Support consortia formation and provide market intelligence for overseas projects

CHALLENGES & ISSUES IN CONSTRUCTION INDUSTRY

SHORTAGES OF MANPOWER

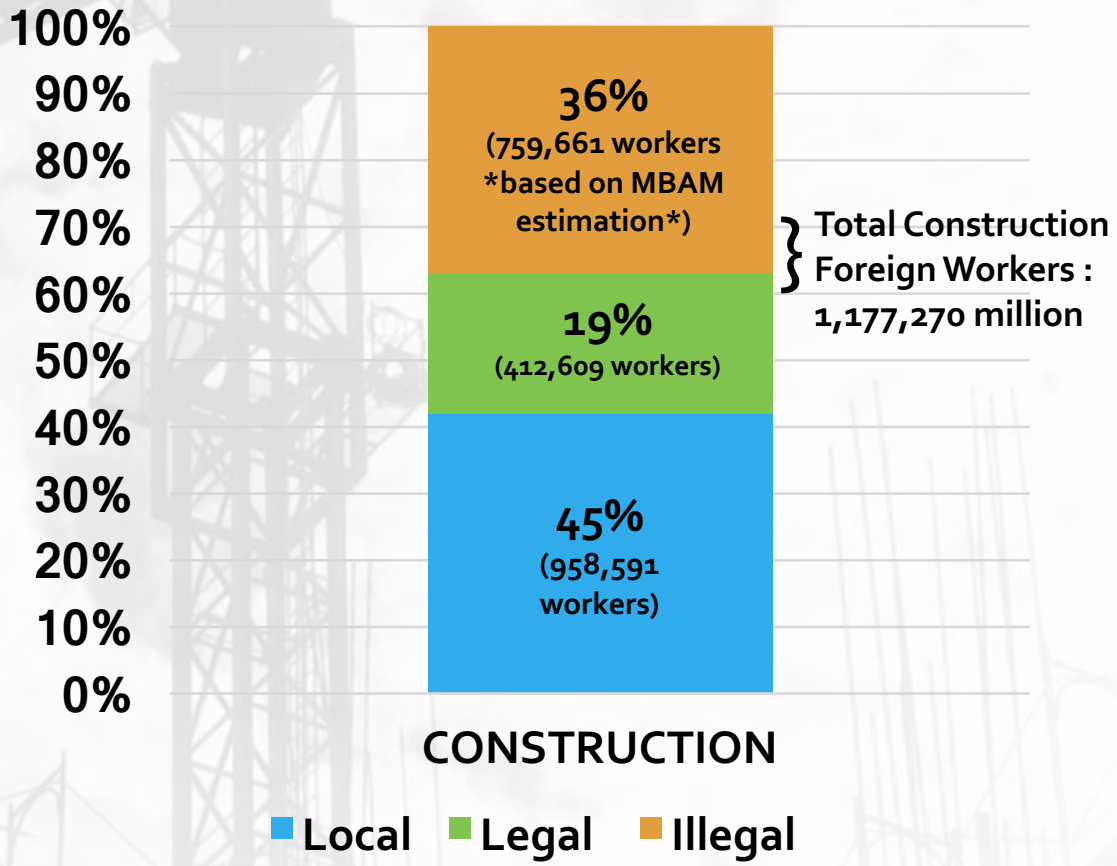
- It is estimated that there are approximately **15,000 construction projects ongoing at any one time**.
- The industry is employing approximately 1.3 million people in the construction industry, or slightly less than 1 in 10 people of the total labour force.
- The industry continued to face shortage of manpower. Engaging foreign workers is now a tedious task due to constant change of Government policies as well as increase of the cost.

Malaysian Labour Workforce Composition 2014



TOTAL WORKERS*: 1,371,200 Million

MBAM Estimated Construction Workforce in Malaysia 2014



TOTAL WORKERS*: 2,126,037 Million

* 1. Construction 2. Electricity, gas, steam and air conditioning supply 3. Water supply, sewerage, waste management and remediation activities

Source:
Total workers - Department of Statistic Malaysia
Foreign workers – Economic Planning Unit

INCREASE OF FOREIGN WORKERS LEVY

- As of March 2016 new levy Construction foreign workers is **RM1,850.00 (USD449.35)**.

NEW MINIMUM WAGE ORDER

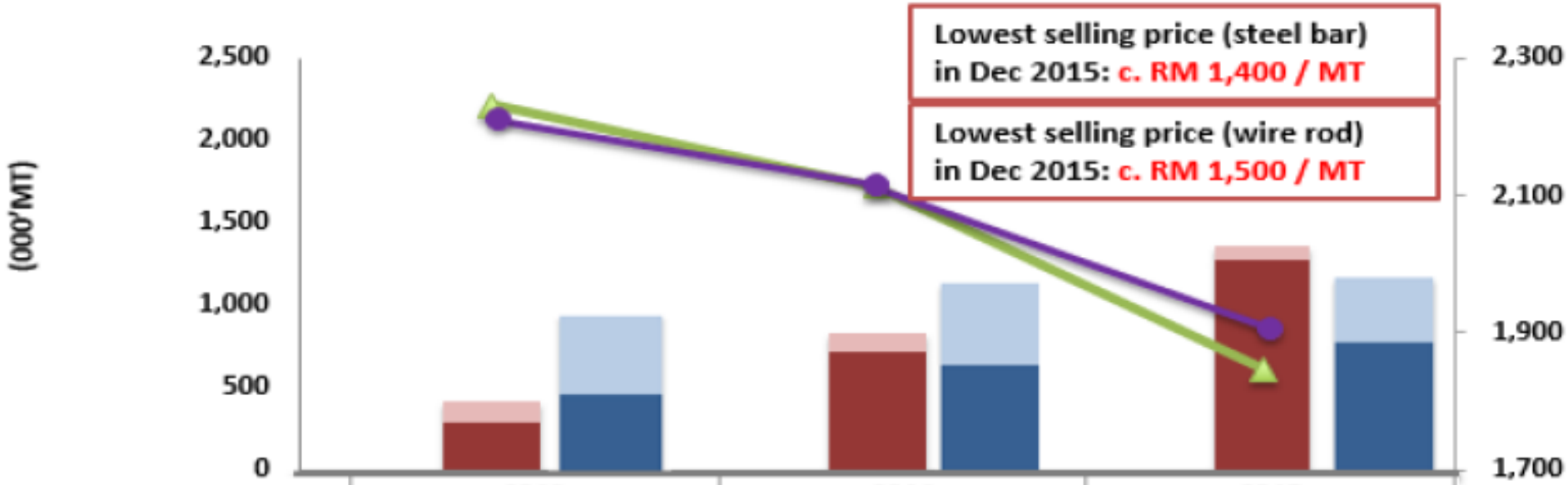
- Come July 2016, the minimum wage will be raised to **RM1,000.00 (USD243.30)** for workers in peninsular Malaysia and **RM920 (USD218.98)** for those in Sabah, Sarawak and Labuan as announced in Budget 2016.

STEEL BAR HIKE

- The price of steel bars have increased from **RM1,500 (USD364.34) per tonne in January 2016** to **RM2,500 (USD607.23) per tonne at present.**
- The contractors that have locked in construction cost for existing projects will be the hardest hit as they are not able to adjust to the drastic changes in prices of steel bar.

What happened in 2015 : Malaysia Steel Sector

Average steel bars and wire rod selling price & import volume



	2013	2014	2015
Bar Imports: from rest of World	130	107	78
Bar Imports: from China	287	721	1,280
Wire Rod Imports: from rest of World	448	537	414
Wire Rod Imports: from China	449	673	832

Circa 35% and 30% Drop in Steel Bar & Wire Rod Prices respectively, From 2013 - Dec 15 low Caused by China Imports at below Cost

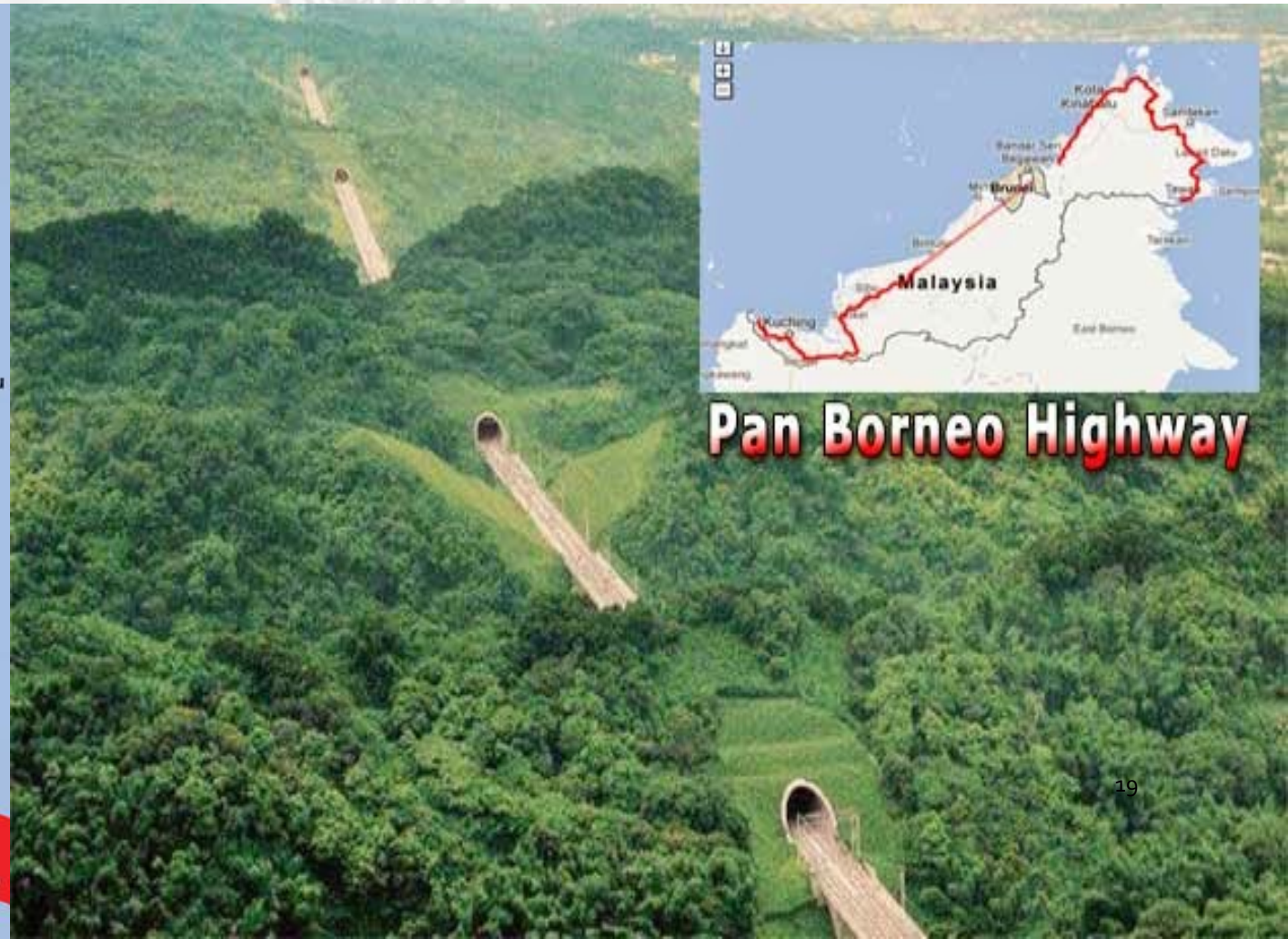
- China steel bar imports c. 4.5x 2013 levels
- Local steel mills incurred huge losses
- Mills ceased operations

INDUSTRIALIZED BUILDING SYSTEM (IBS) FUND

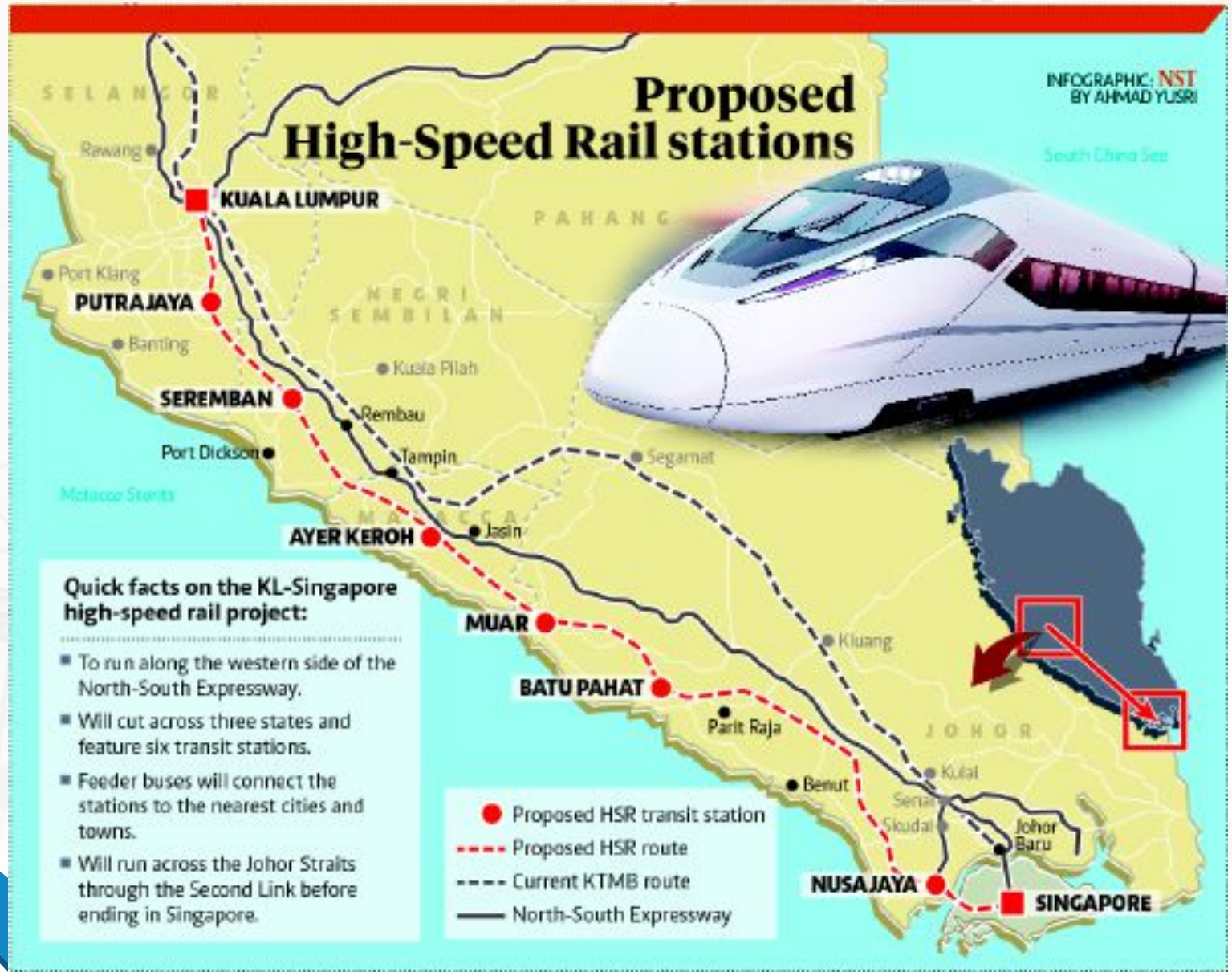
- The government has made it compulsory for private projects to utilise IBS components to a minimum of 50% by 2015, as stated in the IBS Roadmap, 2011-2015.
- Effective in 2016, private construction projects costing more than RM50 million, as well as government projects exceeding RM10 million, will also require the use of IBS. This is in line with its Construction Industry Transformation Programme 2016-2020 (CITP) which, among others, seeks to increase the proportion of high-skilled foreign labour entering the country.

11TH MALAYSIA PLAN (11 MP) – NOTABLE KEY PROJECTS

RM27-billion (USD6.56-billion) 1,663km-long Borneo Highway connecting Sabah and Sarawak



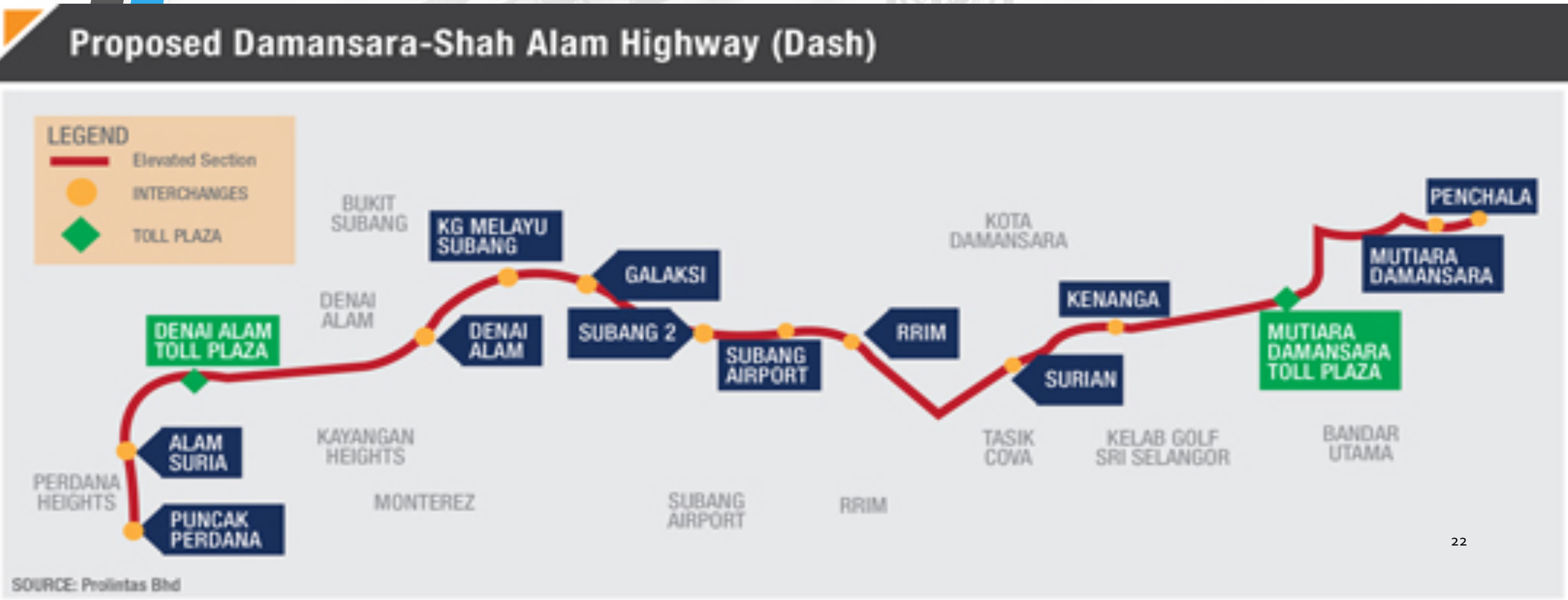
RM40-billion (USD 9.72-billion) Kuala Lumpur-Singapore High Speed Rail



RM5-billion (USD 1.21-Billion) West Coast Highway

EXHIBIT 4: WEST COAST EXPRESSWAY (WCE) ALIGNMENT

RM4.2-billion (USD1.02-billion) Damansara-Shah Alam Elevated Expressway (DASH)



RM1.55-billion (USD 0.38-billion) East Klang Valley Expressway (EKVE)

11TH MALAYSIA PLAN (11 MP) – NOTABLE KEY PROJECTS

Other Notable Key Projects as follows:

- **RM1.6-billion (USD 0.39-billion) Kota Bharu-Kuala Krai highway**
- **RM8-billion (USD 1.94-billion) Gemas-Johor Bahru 197km Double Tracked Railway**
- **RM9-billion (USD 2.19-billion) Light Rail Transit Line 3**

CONCLUSION

- The significance of the industry will continue to evolve and it will become increasingly critical as Malaysia becomes a developed nation.
- Today, we are already seeing intense demand for infrastructure development such as in Sabah and Sarawak with the Pan-Borneo Highway as well as for more efficient urban transportation, such as the Mass Rapid Transit (MRT) project in the Klang Valley. **This rise in demand will in turn require construction players and the workforce to continually raise its capabilities**.

Thank You