

COUNTRY REPORT BANGKOK, THAILAND 7TH SEPTEMBER 2018

**MR ERIC YONG
SECRETARY-GENERAL**

MASTER BUILDERS ASSOCIATION MALAYSIA (MBAM)

Presentation Outline

- **Brief Outlook on Malaysia Economy**
- **Construction Industry Performances**
- **Construction Projects**
- **Challenges and Issues in the Construction Industry**
- **Future Outlook**

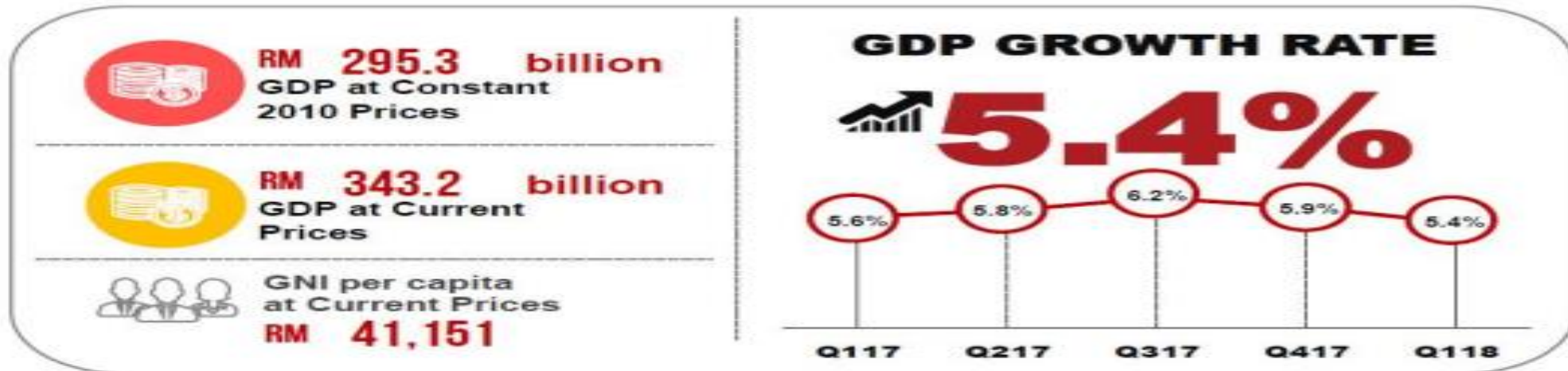
Brief Outlook on Malaysia Economy



MALAYSIA ECONOMY

Q1 2018

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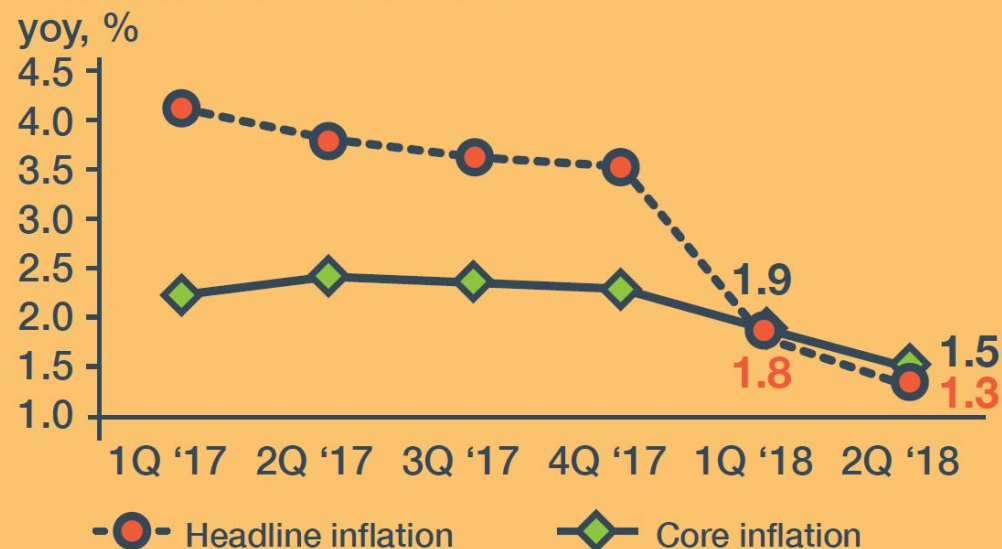
Headline Inflation Declined in 2Q 2018

- Lower inflation during the quarter mainly reflected the zerorisation of the GST rate
- The impact of GST zerorisation was offset by higher transport inflation

Headline inflation declined

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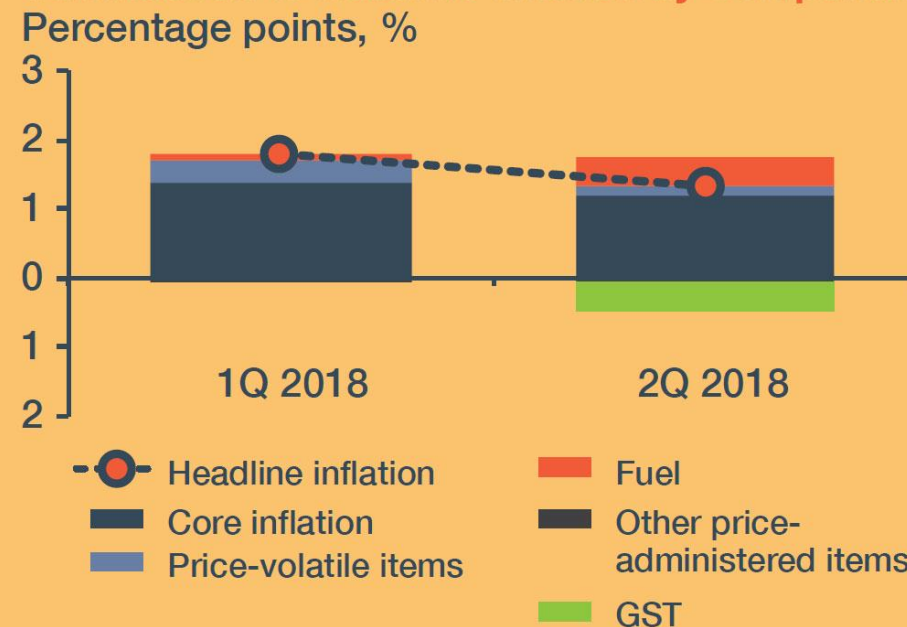
Headline and Core Inflation¹



¹ Core inflation excludes the estimated direct impact of GST zerorisation.

The impact of GST zerorisation was offset by higher transport inflation

Contribution to Headline Inflation by Component

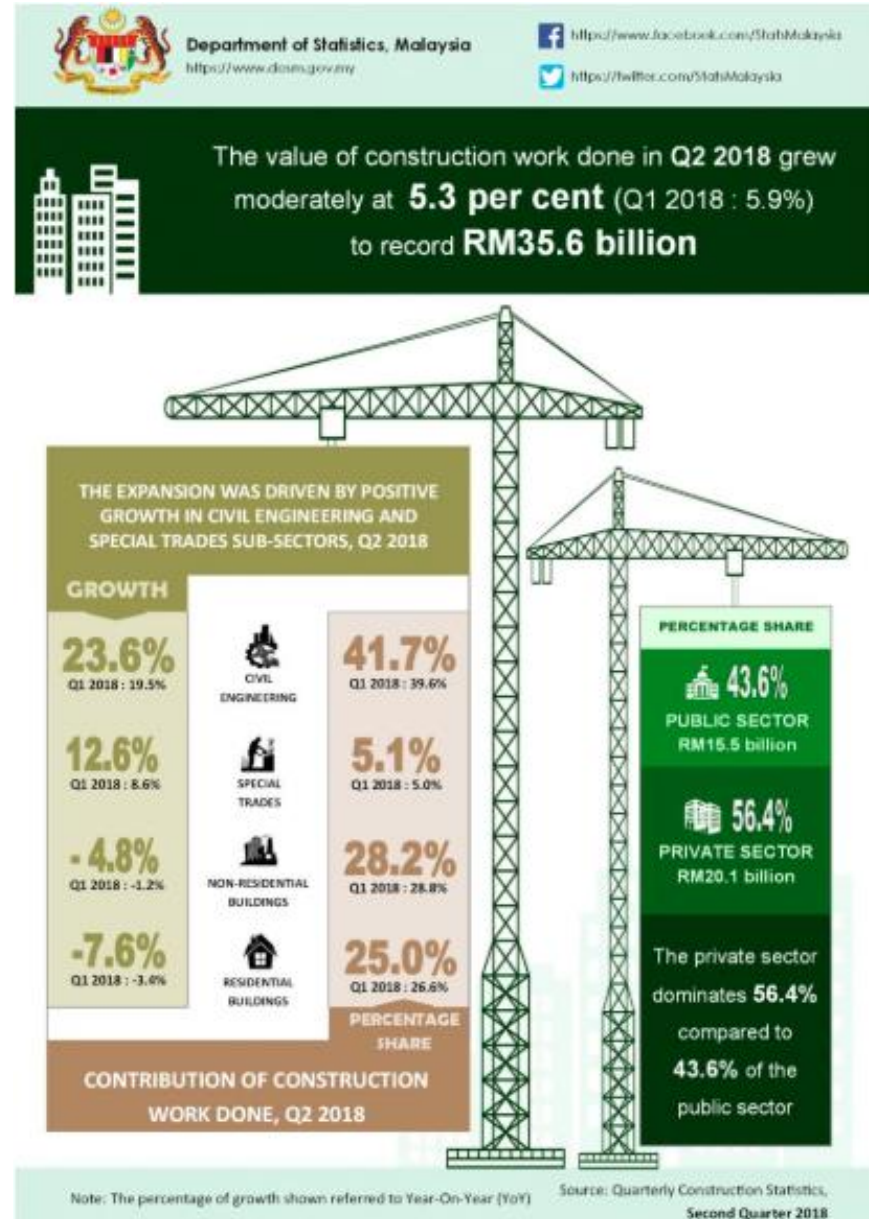


Construction Industry Performances



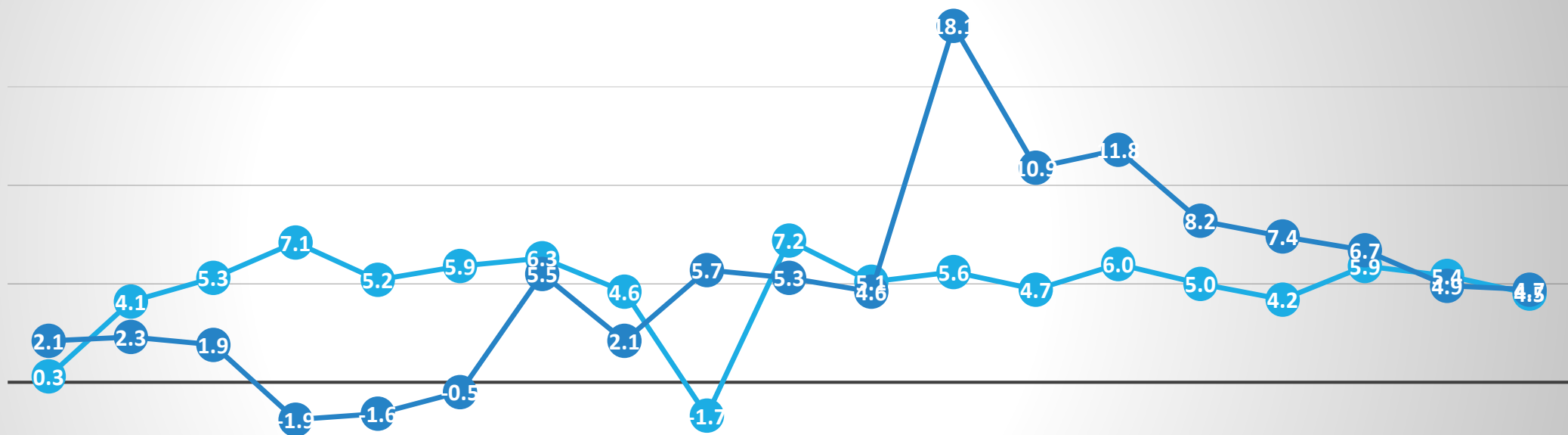
Quarterly Construction Statistics Second Quarter 2018

The value of construction work done in the second quarter 2018 recorded a moderate growth of 5.3 per cent year-on-year to record USD 8.9 Billion (RM 35.6 billion (Q12018:37.1 Billion))



Malaysia Real GDP Vs Construction Growth From 2001 ~ 2Q,2018

Percentage (%)



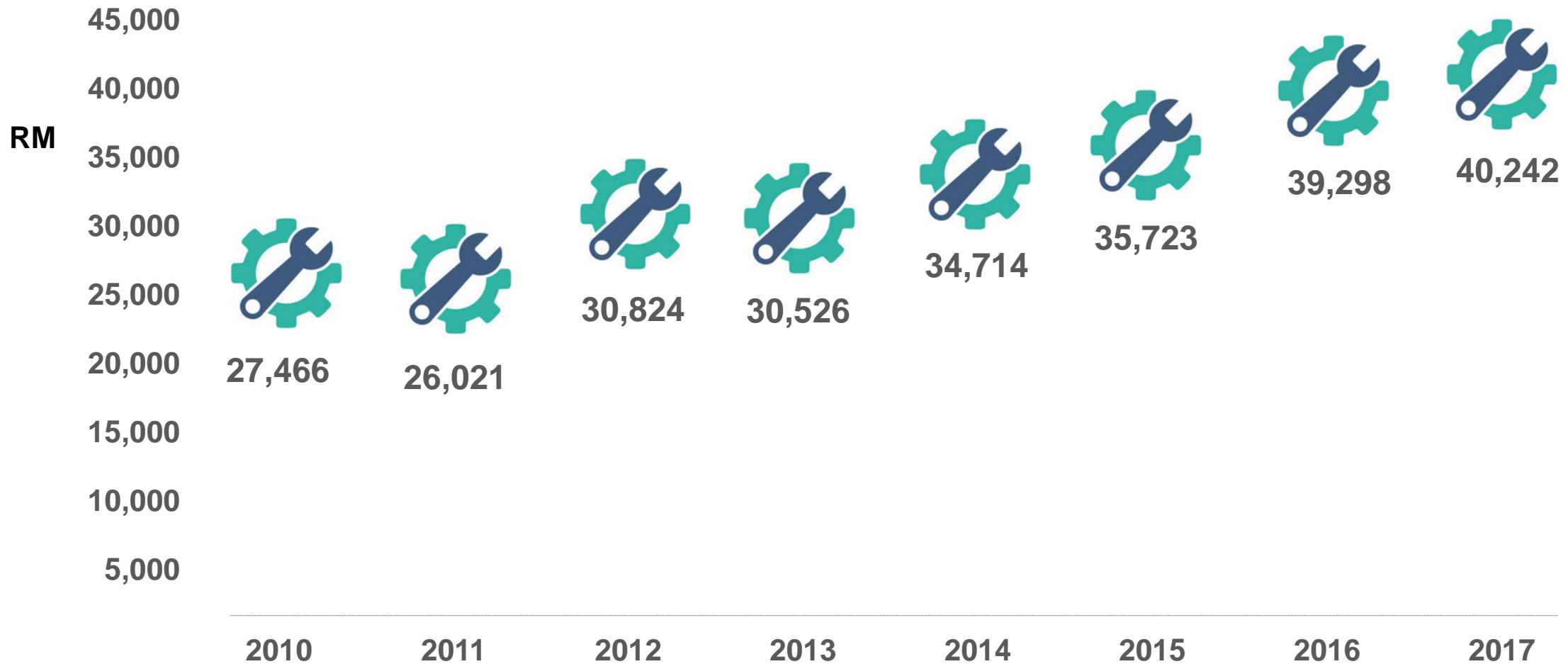
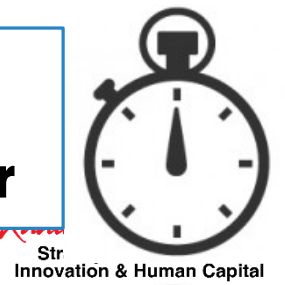
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	1Q,2018	2Q,2018
Real GDP	0.3	4.1	5.3	7.1	5.2	5.9	6.3	4.6	-1.7	7.2	5.1	5.6	4.7	6.0	5.0	4.2	5.9	5.4	4.5
Construction	2.1	2.3	1.9	-1.9	-1.6	-0.5	5.5	2.1	5.7	5.3	4.6	18.1	10.9	11.8	8.2	7.4	6.7	4.9	4.7

Total Construction GDP Year to Year

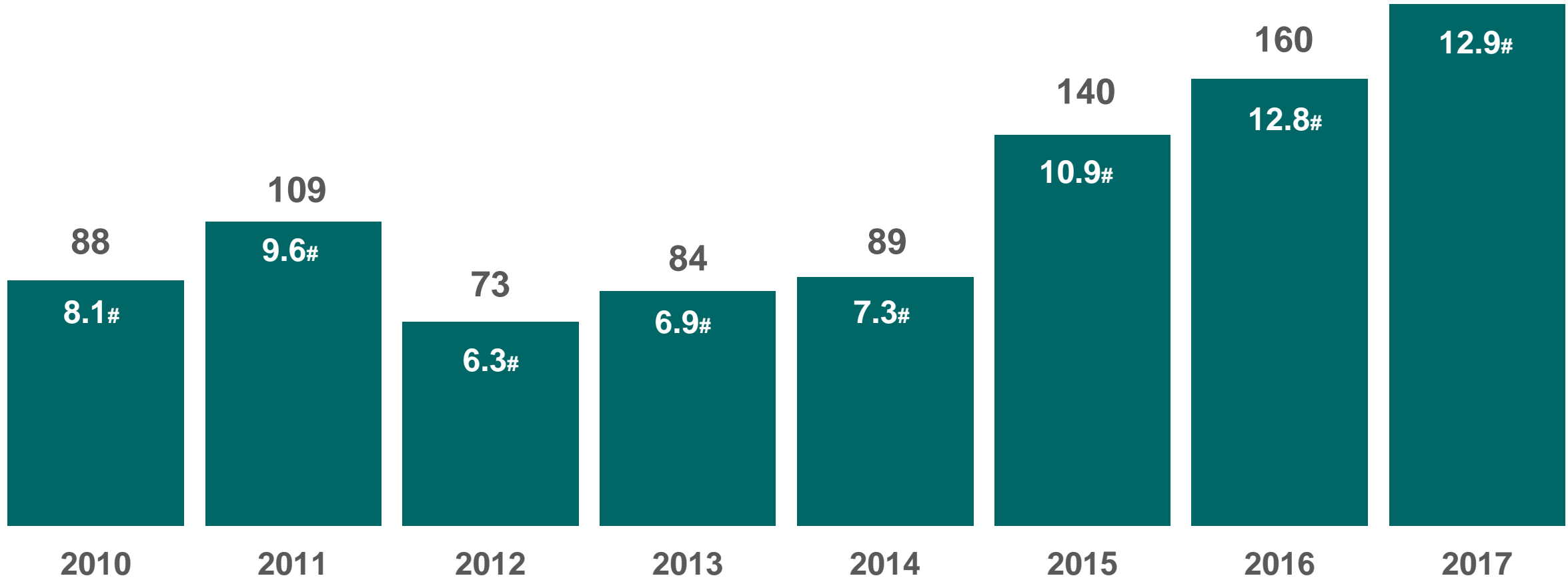
Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	1Q, 2018	2Q, 2018
Real GDP	0.3	4.1	5.3	7.1	5.2	5.9	6.3	4.6	(1.7)	7.4	5.1	5.6	4.7	6.0	5.0	4.2	5.9	5.4	4.5
Manufacturing	(5.8)	4.0	8.2	8.8	5.1	7.8	3.1	1.3	(0.3)	11.9	4.7	4.8	3.5	6.2	4.9	4.4	6.0	5.3	4.9
Services	5.8	4.1	4.1	6.7	6.5	6.4	9.6	7.3	2.6	7.4	7.0	6.4	5.9	6.5	5.1	5.6	6.2	6.5	6.5
Agriculture	(0.9)	3.0	5.5	5.0	2.5	6.4	2.2	3.8	0.4	2.4	5.8	1.0	2.1	2.1	1.2	(5.1)	7.2	2.8	(2.5)
Mining	(0.8)	3.7	4.8	4.1	(0.8)	(0.9)	4.2	(0.8)	(3.8)	(0.3)	(5.5)	1.4	0.7	3.3	4.7	2.2	1.0	0.1	(2.2)
Construction	2.1	2.3	1.9	(1.9)	(1.6)	(0.5)	5.5	2.1	5.7	11.4	4.7	18.1	10.9	11.8	8.2	7.4	6.7	4.9	4.7

Construction **Productivity**

Target by 2020
RM 62,000/worker

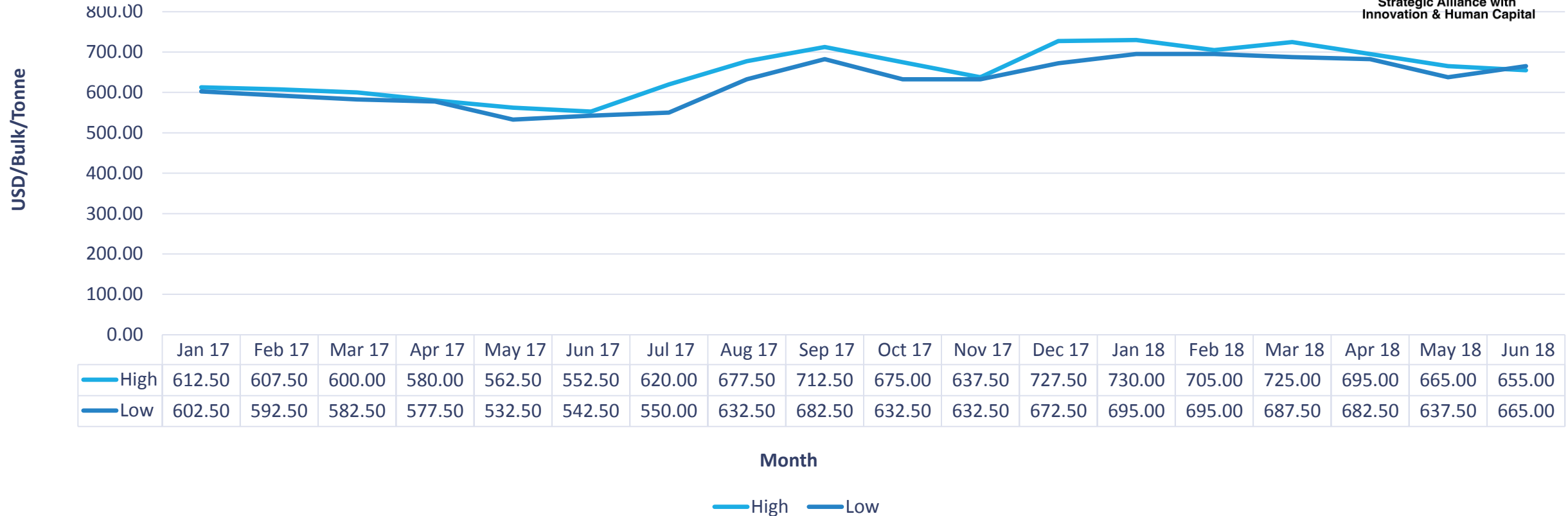


Construction Occupational Fatalities



Building Materials Prices

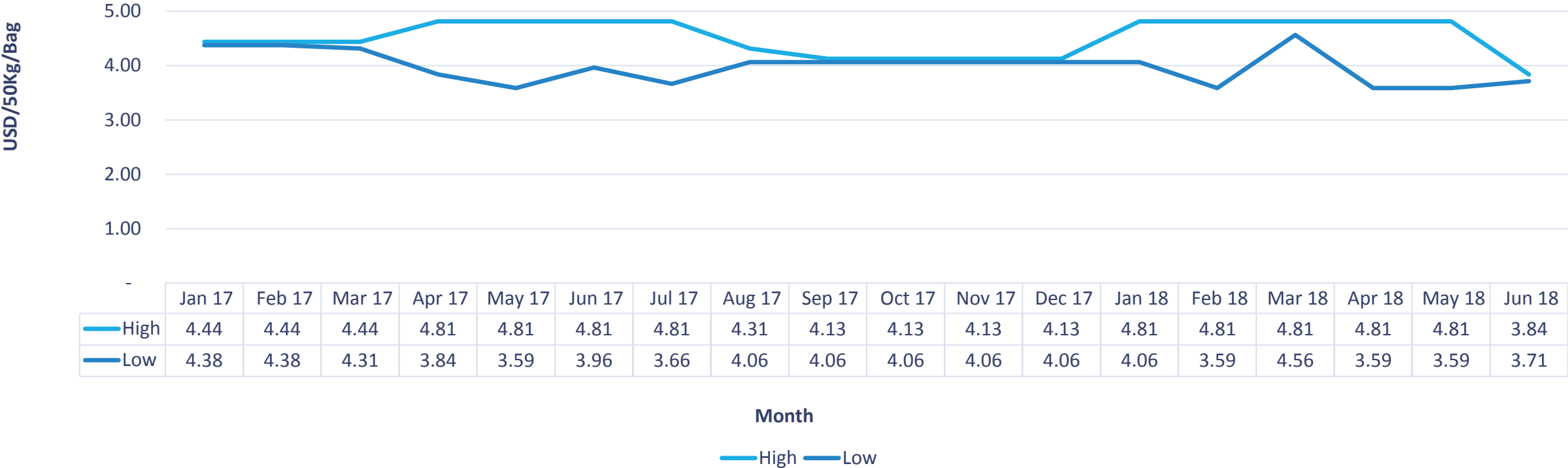
Building Material - Steel - T10/T12/T40 (January 2017 ~ June 2018)



USD1.00 = MYR4.00



Building Material - Cement - Bag (January 2017 ~ June 2018)

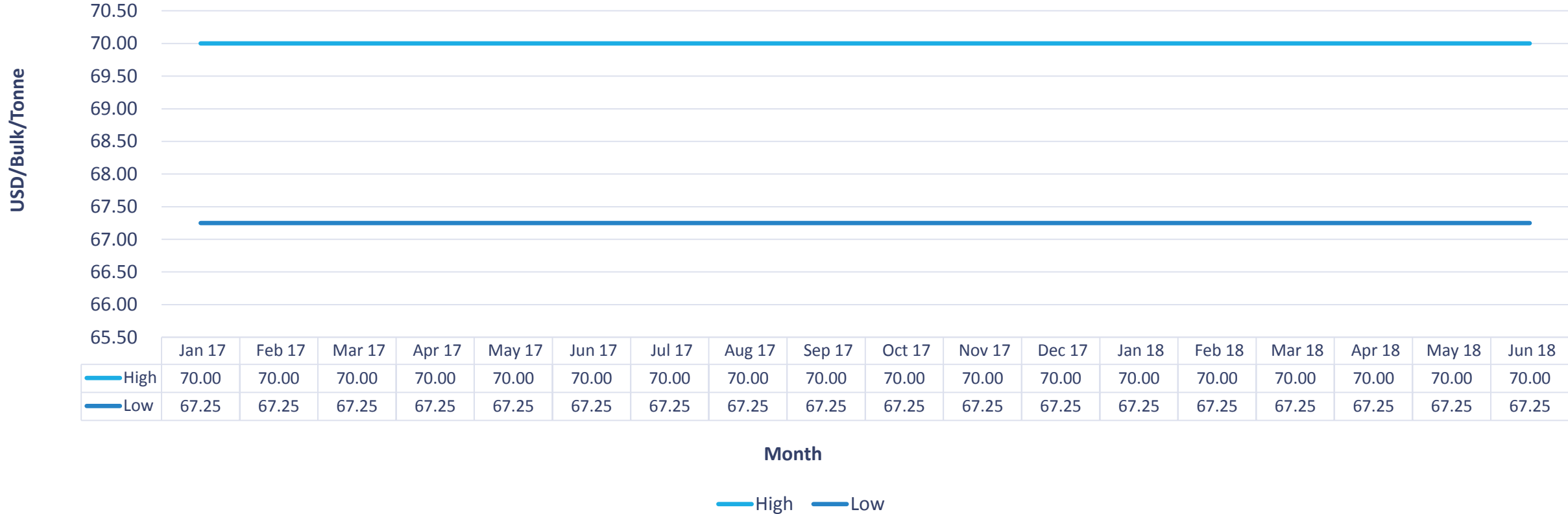


USD1.00 = MYR4.00



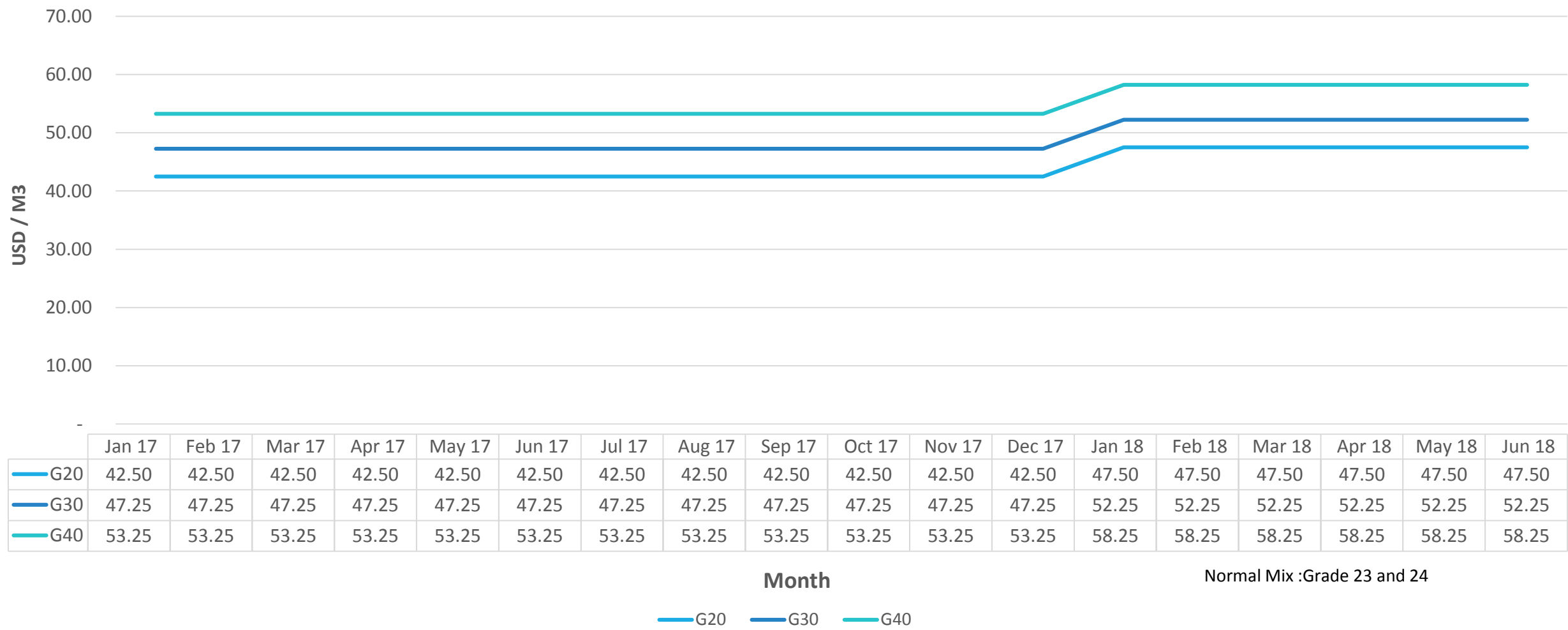
Building Material - Cement - Bulk

(January 2017 ~ June 2018)

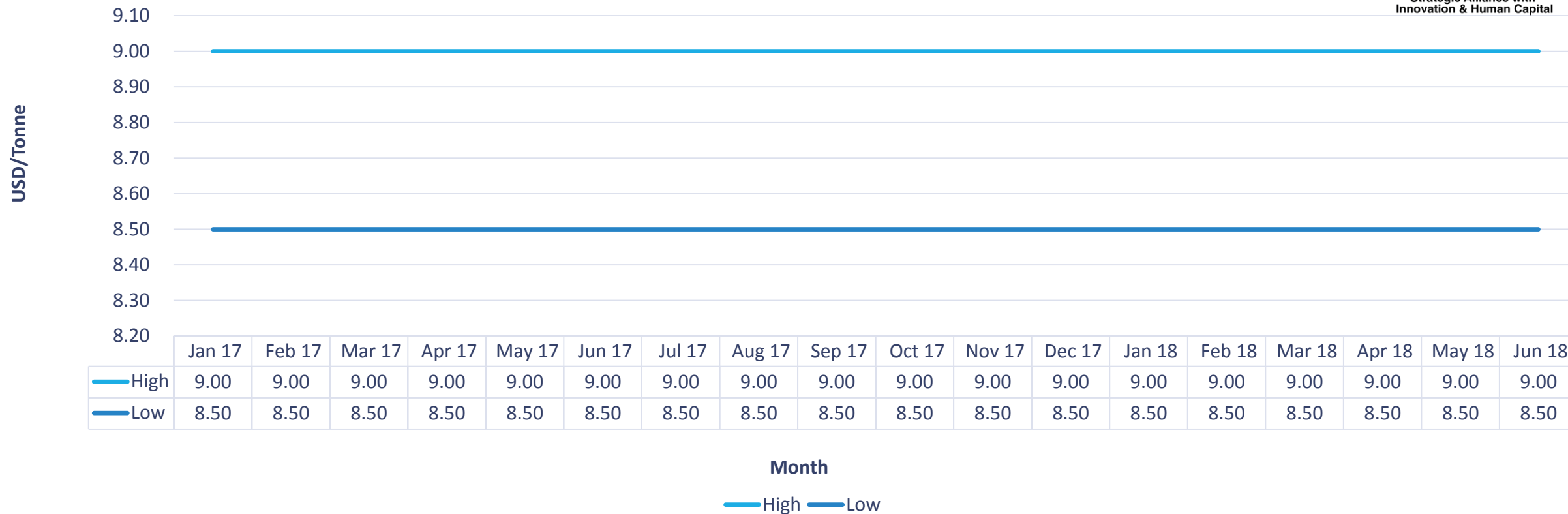


USD1.00 = MYR4.00

Building Material - Ready Mix Concrete - Normal Mix (January 2017 ~ June 2018)



Building Material - Sand (January 2017 ~ June 2018)



USD1.00 = MYR4.00



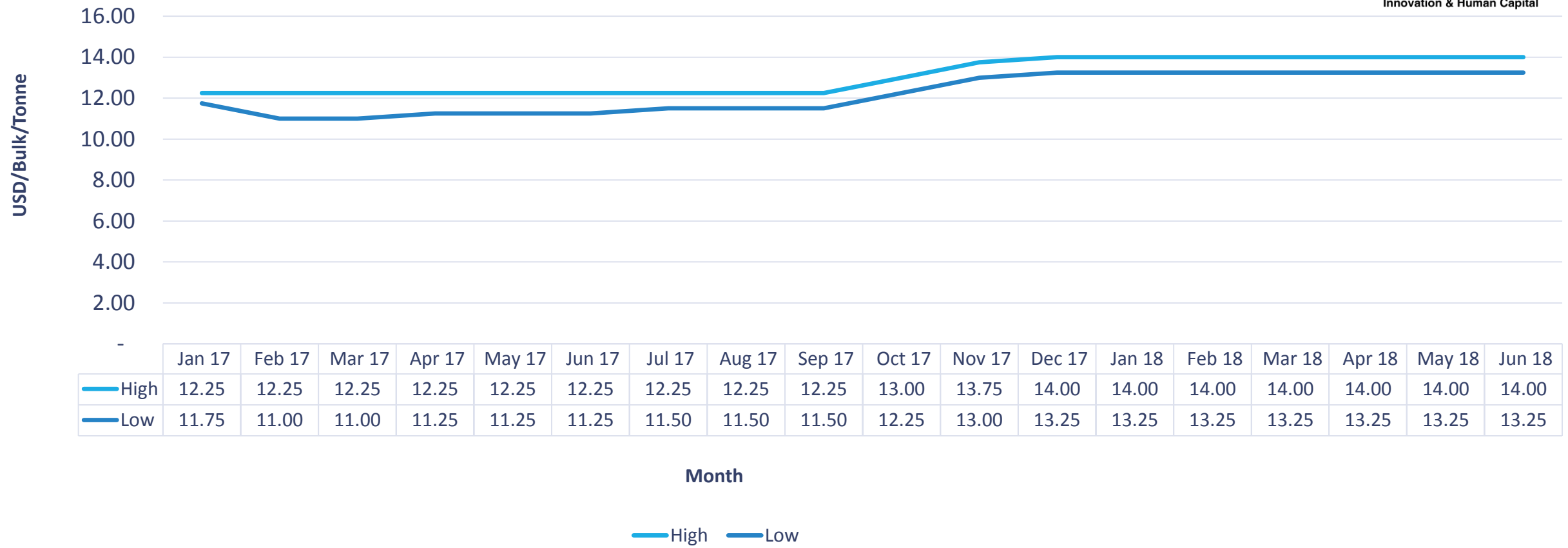
Building Material - Common Clay Brick (January 2017 ~ June 2018)



USD1.00 = MYR4.00

Building Material - Timber Plywood - 12mm X 4' X 8'

(January 2017 ~ June 2018)

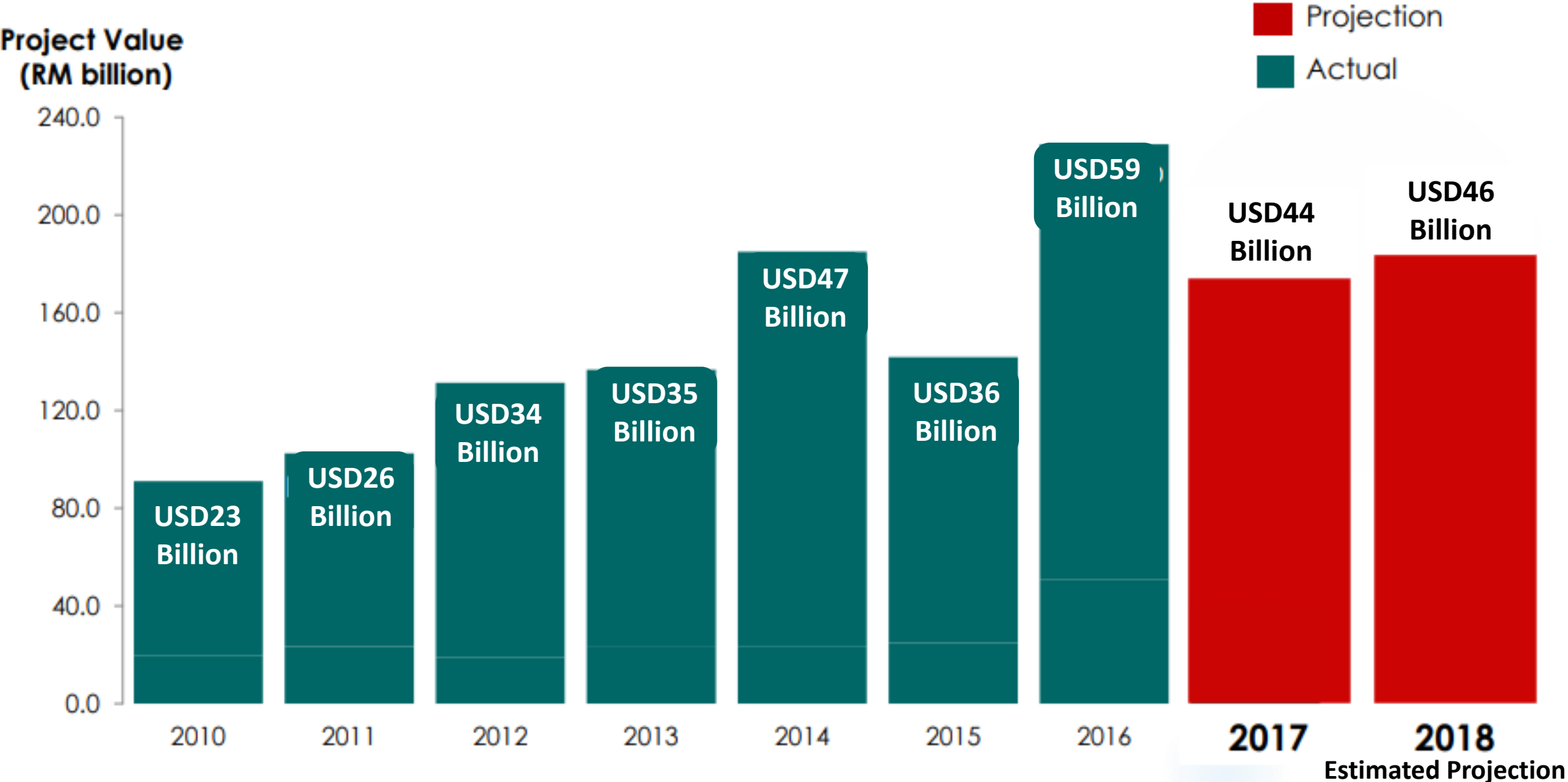


USD1.00 = MYR4.00



Construction Projects

Projection of New Construction Works



Source : CIDB Malaysia



**1,366 acre GDV
USD14.33 Billion**

Melaka Gateway



**1,370 acre GDV
USD44.79 Billion**

Forest City



**70 acre
Estimated Project
Value USD6.65 Billion**

Tun Razak Exchange (TRX)



**486 acre
GDV USD41.98 Billion**

Bandar Malaysia

Construction Projects

The Return of Country Heights



The project involves developing the Grand Wellness hub and Mines Car City Centre (MCCC) in the Mines and setting up the Cheng Ho Islamic Trade and Financial Centre in Melaka. The Grand Wellness hub and MCCC are expected to generate more USD0.875 Billion (RM3.5 Billion) in gross development value (GDV).

The Coastal Road Project (CRP)

- It is set to inter-connect 60 per cent of Sarawak's population living in coastal towns and villages between Sibu, Sarikei and Kuching at an estimated Value USD 1-1.5 billion (RM4-6 Billion).
- This will transform the coastal area and link it to the interior of Sarawak



Melaka Gateway

- The Melaka Gateway spanning 1,504.9 ha is a private initiative project encompassing mixed development over four artificial islands and is classified as a national project under the National Key Economic Areas.
- Projects Developments includes Tourism, Entertainment, Commercial & Property Development, Free Trade Economy Zone, Melaka Gateway Port and Projects Maritime Industrial Parks.
- Estimated cost: USD11.02 Billion (RM44.08 Billion)
- Estimated completion date: 2019

Tun Razak Exchange

- TRX is an iconic 70-acre development in the heart of Kuala Lumpur that is set to become a leading centre for international finance and business.
- Estimated development cost: USD8 Billion (RM32 Billion)
- Estimated completion date: 2030

Sungai Besi – Ulu Kelang Elevated Expressway (SUKE) (Klang Valley)



West Cost Expressway (WCE)

Banting - Taiping



STATUS: UNDER CONSTRUCTION

USD1.29 Billion
Construction cost

Q3 2019
Completion

233 km
Length

West Coast Expressway

- The West Coast Expressway is a privatisation project approved by the Government to West Coast Expressway Sdn Bhd (WCE). The project, operates on a build-transfer-transfer model. The project is expected to be completed in five years' time.
- 233 km highway. There are 11 phases.
- Will connect Banting in Selangor to Taiping in Perak.
- Estimated completion date: August 2019.
- Estimated construction cost: USD1.29 Billion (5.16 Billion).



Kuala Lumpur High Speed Rail

The project involving 350 Km railway linking Kuala Lumpur and Singapore has been deferred by the current Malaysian Government. Estimated cost USD27.5 Billion (RM110 Billion).



East Coast Rail Link (ECRL)

On 22 August 2018, the Government announced that the East Coast Rail Link (ECRL) will be deferred for now due to the current government's fiscal position. Estimated project value affected USD20.25 Billion (RM81 Billion).




Trans-Sabah Gas Pipeline

Multi-Product Pipeline and Trans-Sabah Gas Pipeline

On 21 August 2018, the Government announced that the East Coast Rail Link (ECRL) and the Multi-Product Pipeline in Malacca and Trans-Sabah Gas Pipeline will be cancelled for now due to the current government's fiscal position. Estimated project value affected USD2.35 Billion (RM9.4 Billion).



Multi-Product Pipeline in Malacca



Challenges and Issues in the Malaysian Construction Industry

Challenges and Issues in the Construction Industry

Retirement of Ageing Construction Workers

- Across the nation, thousands of baby boomers are retiring per day.
- Construction executives must figure out how to transfer all of that knowledge to a new batch of hires in a time of labor shortage.

Challenges and 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.

Higher Input Costs

- Cost of construction has increased due to higher cost of hiring foreign labour.
- Employers have to bear all the cost to hire the foreign labour. This has doubled the cost.

Challenges and 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.

Future Outlook

- Although there are perceived policy uncertainties from the new Government, the current business outlook going into the second half, with the corporate and small medium enterprises (SME) indices have shown positive sentiments at 56.8 and 52.1 respectively, according to the latest Ratings Agency Malaysia Business Confidence Index (RAM BCI).
- The sustained positive readings indicate Malaysia's economic resilience in the first half of 2018 **is likely to carry through to year end**, supported in particular by the corporate segment's firm optimism, particularly after the outcome of the 14th General Election (GE14).
- **The Asian Development Bank (ADB) is still maintaining its economic growth outlook for Malaysia post GE14 of 9 May 2018 at 5.3% for 2018 and at 5% for 2019.**

Future Outlook

- The construction industry is expected to expand, albeit at a relatively slow pace.
- The construction industry's expansion is expected to be supported by the government's ongoing efforts to promote economic growth through large-scale investments under the 11th Malaysia Plan (11MP) 2016–2020.
- The construction sector expects the boom in 2018 with growth cautiously estimated at approximately 8%.

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