



MBAM
COUNTRY REPORT

Presented by:

MASTER BUILDERS ASSOCIATION MALAYSIA

Datuk Astaman Abdul Aziz, MBAM Secretary-General

54th ACF Council Meeting

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Bangkok, Thailand

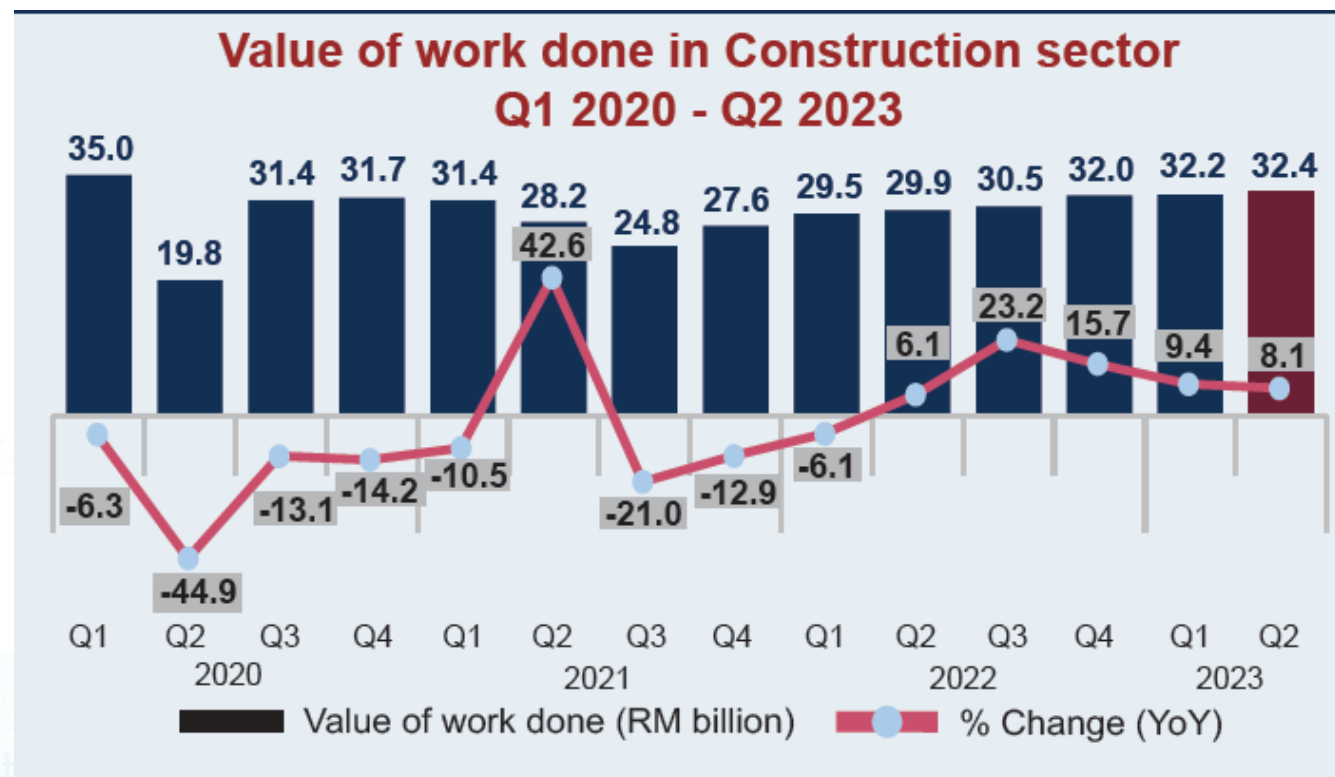


Presentation Outline

- Construction in Malaysia – Overview of Q2 2023
- Malaysia Construction Outlook 2023
- Current Construction Projects in Malaysia
- Current Challenges facing the Construction Industry in Malaysia
- Actions Taken by MBAM in Addressing Industry Challenges

How did the Malaysian Construction Industry do in Q2 2023?

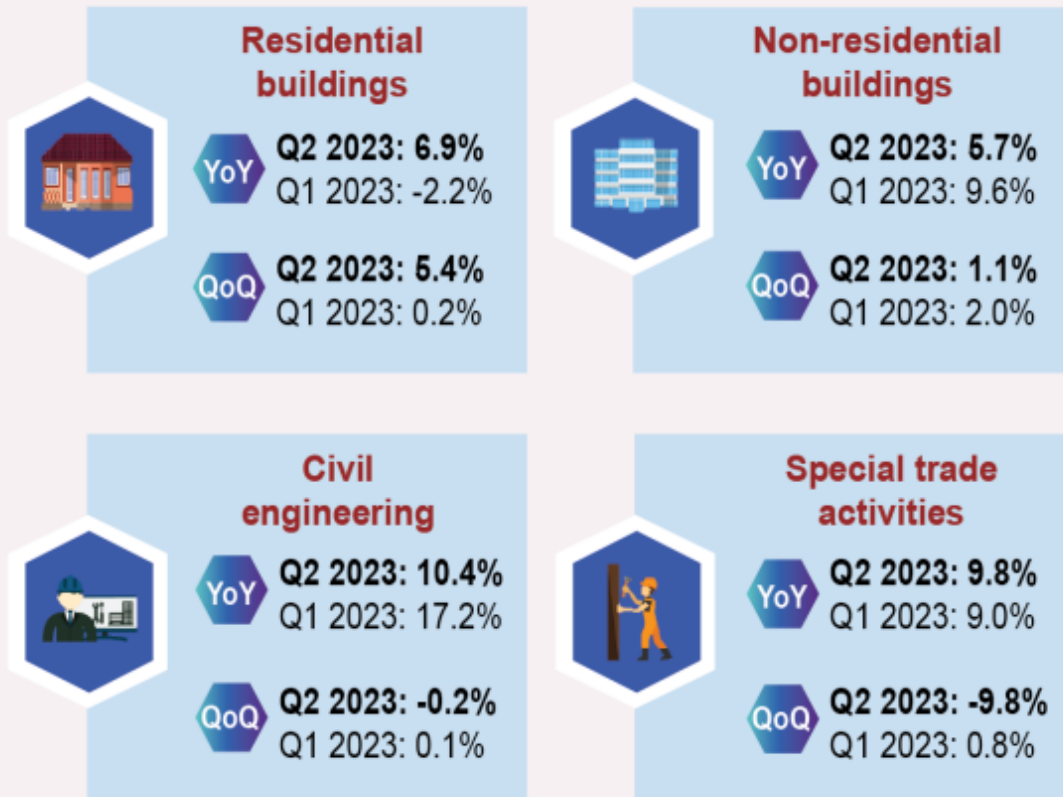
Construction Sector – Overview of Q2 in 2023



- The value of work done in the second quarter of 2023 expanded by 8.1 per cent (Q1 2023: 9.4%) year-on-year basis, amounting to RM32.4 billion (USD 7.2 billion) [Q1 2023: RM32.2 billion (USD 7.16 billion)].

Construction Sector – Overview of Q2 2023

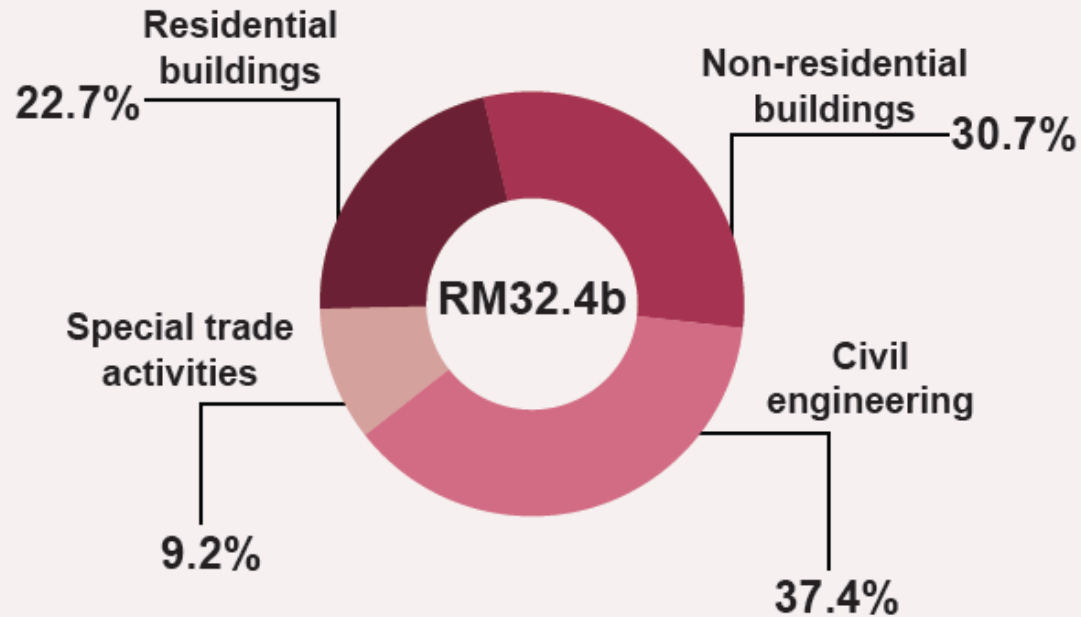
Percentage change by Sub-sector



- The increment was supported by double-digit growth in Civil engineering with a growth by 10.4 per cent in this quarter (Q1 2023: 17.2%), followed by the Special trade activities sub-sector, which recorded an increase of 9.8 per cent (Q1 2023: 9.0%) meanwhile the Non-residential buildings sub-sector showed grew modestly by 5.7 per cent (Q1 2023: 9.6%).
- Meanwhile, the value of construction work in the Residential buildings sub-sector rebounded to 6.9 per cent (Q1 2023: -2.2%) compared to the same quarter in 2022
- Residential buildings dan Non-residential buildings subsectors recorded positive growth in a quarter-on-quarter comparison of 5.4 per cent and 1.1 per cent respectively. In contrast, the Civil engineering and Special trade activities contracted to 0.2 per cent and 9.8 per cent

Construction Sector – Overview of Q2 2023

Percentage share value of work done by Sub-sector, Q2 2023



The **Civil engineering** and **Non-residential buildings** sub-sectors represented over two-thirds of the total value of work done in Q2 2023

- Civil engineering sub-sector remained as the main contributor to the overall value of construction work done, holding the largest share of 37.4 per cent, followed by Non-residential buildings with a share of 30.7 per cent, while Residential buildings and Special trade activities sub-sector contributed 22.7 per cent and 9.2 per cent respectively

How is the construction outlook in Malaysia for 2023?

Malaysia Construction Outlook – 2023

	2021		2022 ^a		2023 ¹⁰	
PENDUDUK (juta)¹ POPULATION (million)¹	32.6		32.7		33.1	
PENGELUARAN DALAM NEGERI DOMESTIC PRODUCTION	RM juta RM million	% perubahan % change	RM juta RM million	% perubahan % change	RM juta RM million	% perubahan % change
Keputusan Dalam Negeri Kasar (harga malar 2015) Gross Domestic Product (constant 2015 prices)	1,386,738	3.1	1,507,306	8.7	1,574,632	~ 4.5¹¹
Pertanian <i>Agriculture</i>	98,898	-0.2	98,949	0.1	100,076	1.1
Perlombongan dan pengkuarian <i>Mining and quarrying</i>	93,150	0.3	96,350	3.4	97,546	1.2
Pembuatan <i>Manufacturing</i>	337,219	9.5	364,522	8.1	378,872	3.9
Pembinaan <i>Construction</i>	50,802	-5.2	53,327	5.0	56,576	6.1

- The construction sector is forecast to expand by 4.5% in 2023 following a better performance in all subsectors.
- Civil engineering subsector is anticipated to rebound buoyed by implementation of new projects such as Mass Rapid Transit Line 3 (MRT3) Circle Line and acceleration of ongoing infrastructure projects which include, Rapid Transit System (RTS) Link, East Coast Rail Link (ECRL) and Light Rail Transit Line 3 (LRT3).
- In addition, the approved investment projects in the manufacturing sector are anticipated to come on stream and subsequently creating a greater demand for industrial buildings. Hence, the non-residential buildings subsector is projected to expand further.
- Meanwhile, the residential buildings subsector is expected to grow steadily supported by more construction of affordable houses, in line with the strategy under the 12MP.

**What are the current
construction projects in Malaysia?**

Snapshot of Current Construction Projects in Malaysia

Spotlight Projects

Mass Rapid Transit (MRT) Line 3

- Phase 1 :Expected to commence commercial operations in 2028 subject to land acquisition process.
- Phase 2 :Expected to commence commercial operations in 2030.

JB – SG Rapid Transit System (RTS Link)

- Expected to commence commercial operations in January 2027



Pan Borneo Highway

- Expected to complete in 2028



Central Spine Road

- Expected to complete in 2028



Snapshot of Current Construction Projects in Malaysia

Spotlight Projects

Merdeka 118 Tower

- Expected to complete mid-2023



Double Track Railway Gemas Johor Bahru

- Expected to complete end of 2023

East Coast Rail Link (ECRL)

- Expected to complete end of 2027



Budget 2023 for construction industry

DEVELOPMENT BUDGET RM 99 b (USD 22 b)

EXPANSION OF AIRPORTS

- To expand and increase the capacity of Penang and Subang International Airport.
- To translate into economic benefits at a much lower costs compared to the previous proposal to build a new airport in Kulim which was expected to cost RM7 b (USD 1.56 b)

REVIEW OF MRT 3 PROJECT COSTS

- The costs of the MRT3 Project was originally estimated at RM68 b (USD 15.1 b) in 2018.
- The Government to review the details of the project to ensure the best value for money by bringing down the total cost to under RM45 b (USD 10 b).

DEVELOPMENT OF SABAH AND SARAWAK

- Accelerate the implementation of Sabah Pan Borneo highway and Sarawak- Sabah Link Road at RM20 b (USD 4.4 b)
- Implement public infrastructure projects, including projects for road, street lighting, water and electricity supply at RM2.6 b (USD 580 m)

EFFORTS TO REDUCE TRAFFIC CONGESTIONS

- Build new roads from Habu to Tanah Rata, Cameron Highlands at RM480 m (USD 106.7 m)
- Upgrade Jalan Tun Hamzah up to the intersection of Semabok Lebu AMJ Central Melaka District at RM300 m (USD 66.7m)
- Build Sungai Sepang road and bridge to connect Bukit Pelandok, Port Dickson and Sungai Pelek, Sepang at RM160 m (USD 35.6 m)
- Improve the highway network facilities to Pengerang by constructing an overtaking lane on the Senai Desaru Expressway
- Upgrading project of North-South Highway at Senai Utara-Sedenak, Johor Bahru from 4 to 6 lanes at RM525 m (USD 116.7 m)

ROAD SAFETY

- Expedite road paving of federal roads and other immediate repairs at RM20 m (USD 4.4 m)
- To maintain and upgrade Federal roads at RM2.7b (USD 600 m)
- Minor maintenance works for federal roads by G1 to G4 contractors at RM300 m (USD 66.7 m)
- Rural roads and inter-village roads projects at RM1.5 b (USD 333 m)
- Upgrading and maintaining the paved and unpaved federal roads at RM1 b (USD 222 m)
- Repairing, replacing and upgrading roads and bridges at RM1.7 b (USD 377.8 m)
- Upgrade of roads and paths at RM1.56 (USD 346.7 m)

**But what are the current challenges faced by
Malaysian contractors?**

The Construction Industry in Malaysia Still Faces Some Challenges

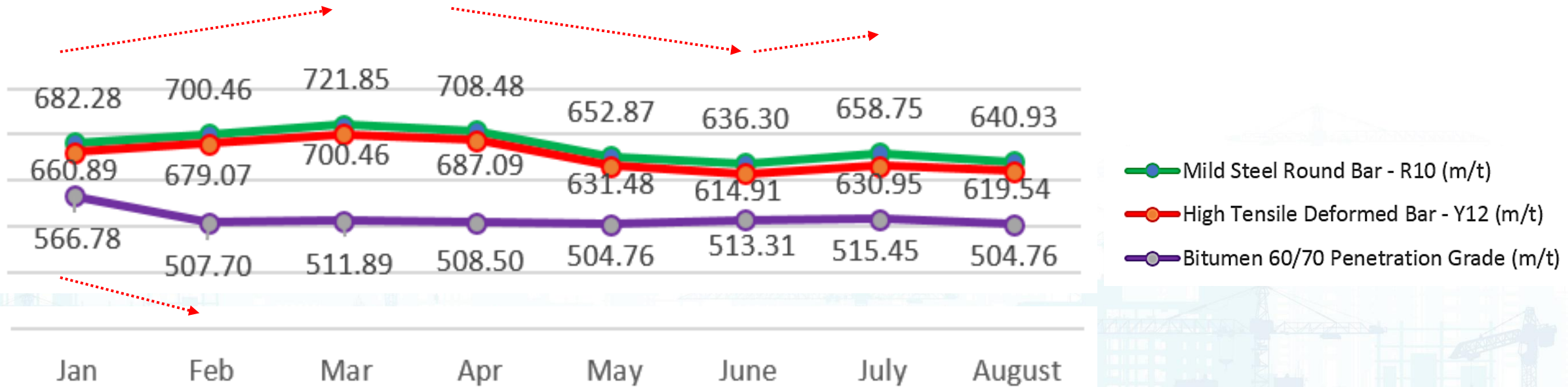
- **FLUCTUATION OF BUILDING MATERIAL PRICES**

- Overall, raw materials have increased since the pre-Covid19 pandemic and were more expensive after the Movement Control Order (MCO) had been lifted where construction activities could resume normally.
- The market situation above coupled with the post Covid disruption on supply chains and the Ukraine war saw prices for building materials such as cement, steel and iron materials increase further due to the rise in price of petroleum and coal products worldwide.

Building Material Prices (January 2023 – August 2023)

Steel Bar & Bitumen

- Mild Steel Round Bar was USD 682.28/metric ton in January 2023 and is now priced at USD 640.93/metric ton. At one point, it was as high as USD 721.85/metric ton.



Mild Steel Round Bar (USD/tonne)

↑ 5.8%
Jan 23- Mar 23

↓ 10%
Apr 23- Jun 23

↑ 3.5%
Jun 23- Jul 23

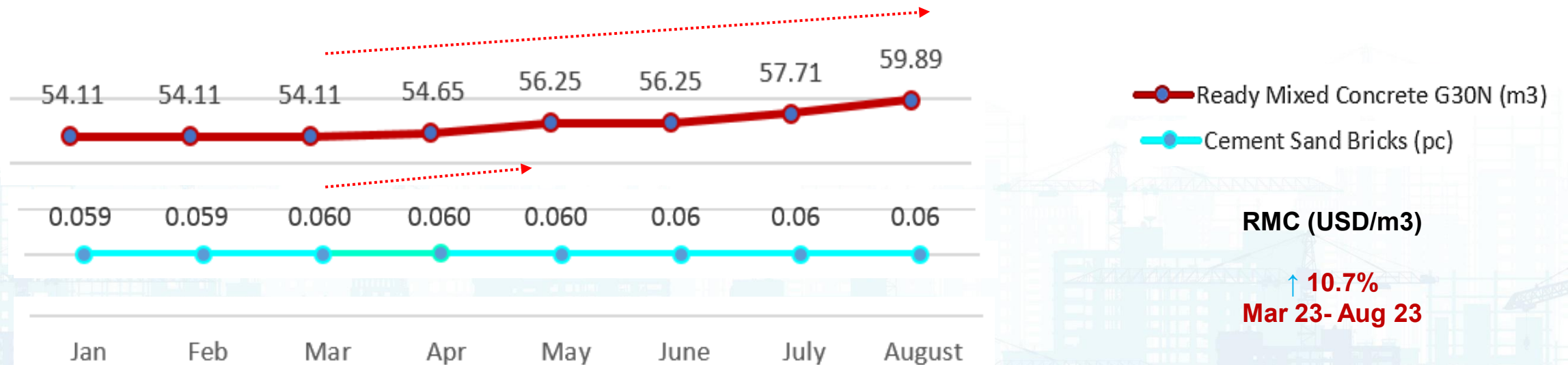
Bitumen (USD/tonne)

↓ 10.4%
Jan 23- Feb 23

Building Material Prices (January 2023 – August 2023)

Ready Mixed Concrete & Cement Sand Bricks

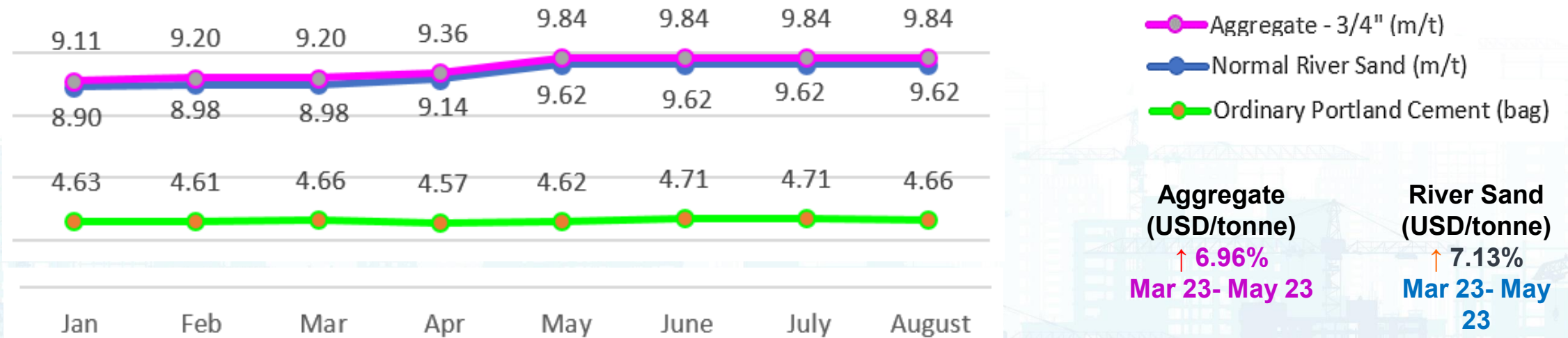
- Moreover, Ready Mixed Concrete which was USD 54.11/m³ in January 2023 is currently as high as USD 59.89/m³.



Building Material Prices (January 2023 – August 2023)

Aggregate, Normal River Sand, Ordinary Portland Cement

- January 2023 also saw aggregate being priced at USD 9.11/metric ton and is currently priced at USD 9.84/metric ton.



The construction industry in Malaysia still faces some challenges

- **INDUSTRY DISPUTES**

- Over the years, we have witnessed a rise in disputes within our industry, and as industry players, it has undoubtedly been a challenging and tedious matter to address.

- **LACK OF DIGITALISATION IN THE CONSTRUCTION ECONOMY**

- Contractors are not provided with enough incentives to facilitate the adoption of digitalisation and Industrialised Building system (IBS) to help make up for the lack of construction labour.

What are the actions taken by MBAM in addressing industry challenges?

Actions taken by MBAM in addressing Industry Challenges

Engagement with Government Authorities

- Memorandum sent to the Minister of Works Highlight issues faced by the industry such as the fluctuations of material prices, shortage of labour and projects, shortage of funding gaps and compliance costs.
- Courtesy visit to the Minister of Works Seek the Government's immediate intervention to help the Malaysian construction industry facing the mentioned challenges in which will assist contractors complete projects in a timely manner and avoid termination or abandoned projects.



Actions taken by MBAM in addressing Industry Challenges



Technical and Vocational Education and Training (TVET)



- We are part of a government effort via the Government-Industry TVET Coordination Body (GITC) that was endorsed by the National Technical and Vocational Education Training (TVET) Council in seeking for longer term labour solutions.
- Our efforts are focused on the development of TVET human capital, particularly in relation to skills and manpower requirements which will help reduce the industry's dependency on foreign labour.

Actions taken by MBAM in addressing Industry Challenges

Engagement with Industry Members

- Constant engagement with members and affiliates to update on the latest news and information surrounding the industry.
- The latest Affiliate Dialogue 2023 discussed issues such as :
 - Main contractor terms, protection of finish products terms and conditions and back charges.
 - Current material prices
 - Manpower challenges after reduced working hours policy
 - The use of A Frame and Safety
 - Assistance to obtain CIDB Green Card for those after 5 years



Actions taken by MBAM in addressing Industry Challenges

Commitment to Mediation

- In our pursuit of promoting mediation, MBAM took a significant step in 2018 by establishing our own mediation service which has been instrumental in providing our members with a dedicated platform to address their disputes.
- MBAM's commitment to mediation has been recognised and endorsed by the Construction Industry Development Board (CIDB Malaysia). In August of 2023, MBAM received the letter of approval for the CIDB Construction Mediation Centre under MBAM as a collaborative partner in promoting, training and providing mediation services to the construction industry.



Conclusion

- We hope that together with the government's assistance to roll out more projects that will benefit the masses and general public at a faster pace, MBAM will continue to drive sustainable changes to the construction industry.
- Without key mega projects, the recovery of the construction industry will be delayed at the expense of the contractor's survival.

THANK YOU,
Stay Safe!

