

# MALAYSIA COUNTRY REPORT

## 1.0 EXECUTIVE SUMMARY

The year 2008 was the year that witnessed the onslaught of challenges from the economic environment and global finance that dove-tailed the inflationary pressures resulting from the unexpected increase in global crude oil price during the first half of the year. This scenario had eventually lapsed into a weakening global economy that worsened during the second half of 2008. However, despite the looming negative impact of the economic downturn, the Malaysian economy remained resilient with a positive growth rate in 2008.

The growth was supported by domestic demand, driven mainly by private consumption and public spending. Public spending expanded strongly underpinned by higher expenditure on emoluments as well as supplies and services. Private consumption grew at a more moderate pace as manufacturing sector retrenchments, lower customer confidence and a reduction in smallholders' income arising from the significant drop in commodity prices, constrained spending activity. Gross fixed capital formation was affected by uncertainties in the external environment, although higher public development expenditure supported its moderate growth.

## 2.0 MACRO ECONOMIC REVIEW AND OUTLOOK

### 2.1 Overview of National Economy

The Malaysian economy registered a growth of 4.6% in 2008, amidst the international financial turmoil and sharp deterioration in global economic environment. Robust domestic demand, in particularly sustained private consumption and strong public spending, supported growth during the year. While external demand was strong in the first half of 2008, the sharp and rapid deterioration in the global economic conditions as well as major correction in commodity prices in the second half led to a contraction in Malaysia's export performance in the second half of the year. The contraction in export adversely affected income and domestic demand. Private investment activities and private consumption moderated significantly in the fourth quarter of 2008.

### 2.2 Main Economic Indicator

At the fundamental level, the Malaysian economy had demonstrated the existence of a fairly impressive threshold in 2008, despite being affected, in some way or another, by the negative effects of the global economic downturn. Malaysia has 'risen to the occasion' by registering a moderate growth rate although it was a slight decline against the rising trend that has been evident since 2005 [2005: 5.3%; 2006: 5.8%; 2007: 6.2%].

A major part of the growth in 2008 was fueled by the robust growth registered during the first half of 2008 at 7%, was more marked in comparison to the drop in growth rate to 2.5% during the second half of 2008. This resulting scenario was caused by the under-performance of manufacturing sector resulting from the decreased of international export towards the end of 2008. However, domestic demand generated from the domestic expenditure was a significant factor that helped to stimulate the economy at an opportune time when weakened international had impeded the nation's export market to a certain extent.

Specifically, during the fourth quarter of the year, the effects of the world economic crisis have been increasingly felt by our nation's economy in terms of reduced growth where activities of three out of the five economic sectors registered a decline, especially in the manufacturing sector (Services Sector: 5.7%; Agriculture Sector: 0.5%; Manufacturing Sector: -8.8%; Construction Sector: -1.6%; Mining and Quarrying Sector: -5.7%).

**Table 1 Growth of Gross Domestic Product (GDP) Malaysia from 2004 to 2008 at Constant Price 2000 (%)**

Sector	2004	2005	2006	2007	2008				
					Q1	Q2	Q3	Q4	Average Growth (%)
Agriculture, Forestry, and Fishery	4.7	2.6	5.2	1.4	6.5	6.3	3.3	0.5	4.0
Mining and Quarrying	4.1	-0.4	-1.0	2.0	3.6	-0.5	-0.3	-5.7	-0.8
Manufacturing	9.6	5.2	6.7	3.1	7.0	5.6	1.8	-8.8	1.3
Services	6.4	7.2	7.4	9.6	8.4	7.9	7.1	5.7	7.2
Construction	-0.9	-1.5	-0.3	4.7	5.3	3.9	1.2	-1.6	2.1
GDP	6.8	5.3	5.8	6.3	7.4	6.6	4.8	0.1	4.6

Source : Series of Central Bank of Malaysia Report  
Monthly Statistical Bulletin July 2009, Central Bank of Malaysia

**Table 2 Growth of Gross Domestic Product (GDP) Malaysia from 2004 to 2008 at Constant Price 2000 (RM Million)**

Sector	2004	2005	2006	2007	2008				
					Q1	Q2	Q3	Q4	Total
Agriculture	34,929	35,835	37,702	38,225	9,358	9,786	10,760	9,866	39,769
Mining and Quarrying	42,627	42,472	42,030	42,881	11,069	10,456	10,446	10,579	42,550
Manufacturing	131,127	137,940	147,154	151,789	38,857	39,564	40,145	35,177	153,744
Services	214,528	230,043	247,100	270,902	69,828	71,665	73,818	75,227	290,538
Construction	14,903	14,685	14,639	15,332	3,724	4,092	3,973	3,869	15,657
GDP	426,508	449,250	488,625	519,129	132,836	135,563	139,142	134,718	542,258
GDP (at current price)	474,048	522,445	586,881	652,660	178,815	191,684	200,809	179,882	751,190

Source : Series of Central Bank of Malaysia Report  
Monthly Statistical Bulletin July 2009, Central Bank of Malaysia

### 2.2.1 Agriculture Sector

The agriculture sector [agriculture, forestry and fishery] rose meagerly at 4.0%, supported mainly by impressive production of crude palm oil. The production of crude palm oil that generated 17.7 million metric tonnes [an increase of 12.1%] was due to the availability of favorable weather, extensive use of fertilisers and the rise in price of crude palm oil to an average price of RM 2,875 per metric tonne [a rise of 16.3%]. On the other hand, the production of natural rubber that shrunk by as much as 10.1% was the result of the inconsistency of rubber prices throughout 2008 [(Q1: -2.1%; Q2: -7.8%; Q3: -4.2%; Q4: -28.4)].

The performance of food crops sub-sectors continued encouraging in 2008 [fisheries: 5.2%; livestock; 4.3%], whereas, the forestry and cocoa sub-sectors deteriorated by as much as 16.3% and 20.5% respectively.

### 2.2.2 Mining and Quarrying Sector

The growth of the mining and quarrying sector was registered at 0.8%, the result of the negative growth experienced during the third quarter of 2008 [(Q1: 3.6%; Q2: -0.5%; Q3: -0.3%; Q4: -5.7%)]. This was caused by the production of natural gas that was lower in comparison, and production of crude oil that showed only a marginal increase.

The production of natural gas dropped by 4.9% in response to a corresponding decline in overseas demand. As such, the production of crude oil only rose by 2%. Most of this production was accommodated by the one-off crude oil production in Sabah to 150,792 barrels per day [(2007 : 74,800)].

### **2.2.1 Manufacturing Sector**

Manufacturing sector progressed at a relatively slower pace of 1.3% [2007 : 3.1%]. It started with a strong growth pattern during the first half of 2008 [6.3%], and started to show a drop during the second half of 2008 (Q3: 1.8.%; Q4: -8.8%).

This export-oriented industry contracted by 1.2% (2007 : 1.0%) when world demand dropped slowly during the second half of 2008. This scenario seems to match the weakening world trade marketing environment. The electrical and electronic sub-sectors showed that they were the worst hit sectors.

Domestic-oriented industries have supported the growth of this sector. These industries recorded a growth of 8.0% (2007 : 7.6%). The exports involving consumer –related products, such as food, beverages, tobacco and transport equipment witnessed strong growth.

### **2.2.5 Services Sector**

The services sector remained as a major contributor to overall GDP in 2008 with a registered growth of 7.2%. Although the growth was lower compared to 2007 [9.7%], sub-sectors like the wholesale and retail trade (2008 : 9.8% ; 2007 : 12.5%), finance and insurance (2008 : 7.7% ; 2007 : 11.1%), communication, transportation and storage (2008 : 6.1% ; 2.7 : 10.0%) and other services (2008 : 4.9% ; 2007 : 5.0%) lent significant support to strengthen the overall growth in the Services Sector.

During the first half of 2008, this sector posted a strong performance as a result of available demand evident in a stable environment supported by the increase in tourism-related activities. The sector's growth during the second half of 2008, was slightly slow due to the reliance by the services sub-sector on global international trade and marketing activities.

### **2.2.6 Construction Sector**

In the same period, construction sector registered a lower growth at 2.1% (2007: 4.6%). The rise in oil and diesel prices have dramatically influenced in the rise of raw materials during the second quarter of 2008, have in turn generated a negative impact on the growth of the Construction Sector which registered a decline during the fourth quarter of the year (Q4: -1.6%).

The civil engineering sub-sector registered higher growth during the first half of 2008. This was due to the implementation of projects under the Ninth Malaysia Plan where the Federal Government expenditure was increased at 23.5% to facilitate the funding of new construction projects and improvements of infrastructure. The growth of civil engineering sub-sector was adversely affected by the sudden rise in building materials, especially steel and cement.

The growth of the non-residential sub-sector was widespread, supported by increased activities of the office space segment. The higher demand for office space, especially in the Klang Valley during the earlier part of the year due to a growing trend in business activities. On the other hand, the Residential sub-sector showed strong growth during the first half of 2008, but the demand started to diminish during the second half of the year. This was caused by consumers' sentiment that remained wary of the inflationary pressures and the progressively deteriorating global economic situation.

### 2.2.6 Demographic Indicator

The labour market expanded significantly up till the first half of 2008. It started to weaken in response to the cautious stance taken by the business sector following the steady rise in cost pressures and dwindling overseas demand as a result of the global economic and finance crisis. A rise in unemployment rate followed suit at 3.7 % (2007 : 3.2%).

**Table 3 Labour Market Indicator**

	2004	2005	2006	2007	2008
Population (people)	26.0 million	26.1 million	26.6 million	27.2 million	27.7 million
Population Growth Rate	2.8%	0.4%	1.9%	2.3%	1.8%
Labour Force (people)	10.5 million	10.9 million	11.2 million	11.4 million	11.5 million
Labour Force Growth Rate	4.1%	4.1%	2.4%	2.1%	1.1%
Unemployment Rate (% from Labour Force)	3.5%	3.5%	3.3%	3.2%	3.7%

Source : Series of Central Bank of Malaysia Yearly Report

### 2.2.7 Financial Indicator

The financial market remained resilient in 2008 resulted from strong macroeconomic fundamentals support. Short-term and long-term interest rates of merchant banks' fixed deposits showed a marginal reduction of 3.13% (2007 : 3.15%) and 3.68% (2006 : 3.70%) respectively. The Consumer Price Index rose by 5.4 points compared to 2.0 points in 2007.

The major contributor to inflation in 2008 stemmed from the food, non-alcoholic drinks and transportation categories. Value of the Ringgit depreciated resulted from the dismal development of the global economy in 2008 where the Ringgit recorded an exchange rate of RM3.46 to the Dollar by the end of 2008 (2007 : 3.31%).

**Table 4 Financial Indicator**

	2004	2005	2006	2007	2008
Inter Bank Interest Rate (1 month)	2.86	2.84	3.54	3.54	3.53
Short Term Interest Rate (commercial bank fixed deposit for 3 months)	3.00%	3.02%	3.19%	3.15%	3.13%
Long Term Interest Rate (fixed deposit for commercial banks for 12 months)	3.70%	3.70%	3.73%	3.70%	3.68%
Change in Consumer Price Index	1.4 <sup>1</sup>	3.0 <sup>1</sup>	3.6 <sup>2</sup>	2.0 <sup>2</sup>	5.4 <sup>2</sup>
Change Against USD (as of December, 31)	3.80	3.78	3.53	3.31	3.46

Source : Central Bank of Malaysia Yearly Report 2007

Note : <sup>1</sup> base year 2000  
<sup>2</sup> base year 2005

### 3.0 EXTERNAL TRADE

Malaysia's external position remained resilient in 2008, despite a weak external environment in the second half of the year. The current accounts registered larger surplus of RM129.4 billion compared to the year before (2007 : RM100.4 billion).

#### 3.1 Annual Import and Export

Malaysia's gross exports increased by 9.6% in 2008 (2007 : 2.7%), encouraged by the expansion in resource-based manufacturing exports and commodities. Whereas, gross imports increased by 3.3 % (2007 : 5.0%) caused mainly by the import input which was higher for manufactured export and consumption goods.

##### 3.1.1 Major Trading Countries

In 2008, Malaysia's trade with its major trading partners ie. US, EU and Japan reached a lower level than expected. Malaysia's trading total clocked in at 34.8% (2007 : 36.7%). However, trade with South East Asian countries [excluding Japan], West Asia, India, Australia and New Zealand increased significantly (2008 : 20.0% ; 2007 : 19.9%). Trade with other ASEAN countries remain aggressive with a increase of 6.6% and exports to West Asia registered a solid growth at 38%.

**Table 5 External Trading Patterns 2008**

	Export		Import		Trade Balance
	RM billion	Annual Variance (%)	RM billion	Annual Change (%)	RM billion
<b>Total</b>	<b>663.5</b>	<b>9.6</b>	<b>521.6</b>	<b>3.3</b>	<b>141.9</b>
<b>United States</b>	<b>82.5</b>	<b>-12.7</b>	<b>56.5</b>	<b>3.2</b>	<b>26.1</b>
<b>European Union (EU)</b>	<b>74.9</b>	<b>-3.8</b>	<b>61.7</b>	<b>2.9</b>	<b>13.2</b>
<b>ASEAN Countries [selected] *</b>	<b>169.6</b>	<b>9.9</b>	<b>125.8</b>	<b>2.5</b>	<b>43.8</b>
<b>South East Asian countries [selected]</b>	<b>133.6</b>	<b>10.9</b>	<b>129.9</b>	<b>-2.5</b>	<b>3.8</b>
People's Republic of China	63.2	19.2	66.9	3.0	-3.7
Hong Kong SAR	28.3	1.2	13.7	-6.9	14.7
China Taipei	16.2	-1.4	25.1	-12.6	-8.9
Korea	25.9	12.4	24.2	-2.8	1.7
<b>West Asia</b>	<b>26.1</b>	<b>38.0</b>	<b>25.1</b>	<b>44.4</b>	<b>1.0</b>
<b>Japan</b>	<b>71.8</b>	<b>30.0</b>	<b>65.1</b>	<b>-0.6</b>	<b>6.7</b>
<b>India</b>	<b>24.7</b>	<b>22.4</b>	<b>10.3</b>	<b>45.8</b>	<b>14.4</b>

Source : Central Bank of Malaysia Yearly Report 2008

Note : \* Singapore, Thailand, Indonesia, Philippines, Brunei Darussalam and Vietnam

### 3.1.2 Major Import and Export Product

The major exports for Malaysia came from the manufacturing sector in the form of electrical and electronic products that achieved 38.3% at a value of RM253.81 billion, whereas the export value of palm oil was amounting to RM49.69 billion (7.5%). Electrical and electronic products continued to be the main imported products totaling RM189.4 billion (36.3%), followed by chemical and chemical materials that totaled RM43.57 billion (8.4%).

**Table 6 Five Major Export Products**

No	5 Major Export Products	2008	
		RM Billion	Percentage
1	Electrical and electronic products	253.81	38.3%
2	Palm oil	49.69	7.5%
3	Crude petroleum	44.09	6.6%
4	Liquefied natural gas	40.73	6.1%
5	Chemicals and chemical products	40.55	6.1%

Source: Malaysian External Trade Development Corporation (MATRADE)

**Table 7 Five Major Import Products**

No	5 Major Import Products	2008	
		RM Billion	Percentage
1	Electrical and electronic products	189.4	36.3%
2	Chemicals and chemical products	43.57	8.4%
3	Machinery, appliances & parts	43.29	8.3%
4	Iron & steel products	28.71	5.5%
5	Manufacturers of metal	27.43	5.3%

Source: Malaysian External Trade Development Corporation (MATRADE)

## **4.0 OVERVIEW OF CONSTRUCTION INDUSTRY**

### **4.1 Value of Contract / Expenditure**

It is mandatory for all contractors whether local or foreign to register with CIDB before they undertake to execute and complete any construction works in Malaysia. Any person who undertakes to carry out and complete any construction works without being registered as a registered contractor with CIDB shall be guilty of an offence under Construction Industry Development Board Malaysia Act 1994 (Act 520). This process, in addition lead to the acquisition of other type information on projects awarded.

In 2008, total value of projects awarded valued exceeding RM500,000.00 registered lower at RM78.55 billion, a decrease of 17.1 % compared to 2007 (RM 91.48 billion). A large part of this contract value (58.0%) was contributed by the Government projects amounting to RM44.78 billion. On the number of projects awarded, Government sector remained the major contributor that represented 57.7% (3,437 projects) out of total number 5,961 projects in 2007.

Social amenity projects were the major development category undertaken by the Government (34.5%, RM 15.4 billion), followed by infrastructure development projects (20.1%, RM 9.0 billion). While on the private sector, development of the non-residential and residential projects was the main focus with 84.2% contribution from the total value of private sector projects. Among the large projects implemented in 2008 were the Second Penang Bridge – Package 1 (RM 2.2 billion), KL – Kuala Selangor Expressway (RM958 million) and Johor Bahru – Nusajaya Offshore Highway (RM946 million).



**Table 8 Construction Contract / Expenditure (RM billion)**

Type of Projects	2004	2005	2006	2007	2008	2009 (June)
Public Projects						
Residential	14.69	15.46	14.53	14.81	13.69	2.29
Non-Residential	11.25	14.96	16.02	19.60	21.83	5.04
Infrastructure	12.62	7.02	7.92	9.26	9.26	0.73
Total	38.56	37.44	38.47	43.67	44.78	8.06
Mechanical and Electrical Works	6.47	2.41	2.31	3.33	3.82	0.32
Repair and Maintenance	0.42	0.67	0.60	0.64	0.59	0.09
Private Projects						
Residential	0.57	1.18	2.02	1.96	1.84	0.64
Non Residential	3.79	6.45	6.73	17.54	20.72	6.58
Infrastructure	9.77	9.20	13.71	28.33	11.21	3.71
Total	14.13	16.83	22.46	47.81	33.77	10.93
Mechanical and Electrical Works	0.27	0.22	1.20	0.86	1.12	0.13
Repair and Maintenance	0.96	1.62	1.59	1.75	1.70	0.56

Source : CIDB Malaysia  
 Figures as at June 2009

## 4.2 Construction Companies

### 4.2.1 Number of Contractors by Type

Based on contractor registration records at CIDB Malaysia, a total number of 63,977 contractors including 164 foreign contractors have registered as at December 2008. Out of this figures, 65% were small contractors registered under G1 and G2 grades which qualified to participate in tendered projects valued at RM 500,000.00 and below [Table 9]. Besides more, 22,401 contractors registered under registration grades G3 and G7. From the total registered contractors, a total number of 3,804 contractors including 31 foreign contractors have succeeded in securing contract works as main contractors in 2008.

**Table 9 Contractors Registered with CIDB**

Grade	Bidding Limit	2003	2004	2005	2006	2007	2008
G1	Not exceeding RM 200,000	32,189	36,335	37,067	36,141	34,581	34,060
G2	Not exceeding RM 500,000	6,146	6,901	7,076	6,937	7,300	7,516
G3	Not exceeding RM 1,000,000	8,785	9,426	9,760	10,043	10,572	10,963
G4	Not exceeding RM 3,000,000	1,816	1,975	2,017	2,140	2,340	2,420
G5	Not exceeding RM 5,000,000	2,642	2,829	2,762	2,816	3,078	3,363
G6	Not exceeding RM 10,000,000	977	1,077	1,033	1,003	1,065	1,206
G7	Unlimited	3,637	3,637	3,472	3,736	4,191	4,285
Foreign	Unlimited	135	157	156	163	163	164
Total		56,327	62,337	63,343	62,979	63,290	63,977

Source : CIDB Malaysia

Note : Figures as at June 2009

#### 4.2.2 Number of Consultants by Type

Up till August 2009, as many as 59,304 engineers have registered with the Board of Engineers Malaysia. This total comprises 81.7% graduate engineers, 16.3% professional engineers, while the rest of 2% were temporary engineers, accredited checkers and engineering consultancy in sole proprietorship, body corporate and partnership.

**Table 10 Engineers Registered as at August 2009**

Registered Engineers	Number
Professional Engineer	9,674
Graduate Engineer	48,453
Temporary Engineer	12
Sole Proprietorship	645
Body Corporate	320
Partnership	170
Accredited Checkers	30
Total	59,304

Source : Board of Engineers Malaysia

Meanwhile, for the same period, as many as 4,972 architects have registered. They comprise architect as many as 52.6%, graduate architects at 41.5%, and building draughtsman at 5.9%.

**Table 11 Architects Registered as at August 2009**

Registered Architects	Number
Graduate Architects	1,350
Architects	1,711
Building Draughtsmen	191
Total	3,252

Source : Board of Architects Malaysia

Up until August 2009, there were 2,081 quantity surveyors registered with 44.1% out of this total represented by the community of graduate quantity surveyors. This based is followed by registered quantity surveyors at 42.0% and quantity surveyors practices registered as many at 13.9 %.

**Table 12 Quantity Surveyors Registered as at August 2009**

Registered Architect	Number
Registered Quantity Surveyors	875
Graduate Quantity Surveyors	917
Quantity Surveyors Practices	289
Total	2,081

Source : Board of Quantity Surveyors Malaysia

#### **4.2.3 Number of Contractors by Employment Size**

Based on Report on Survey of Construction Industries by the Malaysian Statistics Department that was published July 2009, a total of 34.6% (206,080 employees) from the total employees fall under the employment size group of 100-499. This was followed by the group of employment for 1,000 and above accounting for 26.8% [182,302 employees].

Most of those establishments, ie. as many as 76.8% [4,355 establishments] have employees of below 100 persons but only contributed 22.9% [RM 13.9 billion]of overall gross output compared to 1,188 establishments in the group size of more than 100 persons who contributed 77.1 % [RM 46.8 billion] of gross output and 77.6% (461,980 employees) of total employment.

**Table 13** Number of Establishments, and Employment by Size Group, 2007

Employment Size Group	Establishments	Total Employment
< 100	4,355	133,159
100 - 499	976	206,080
500 - 999	140	96,457
≥ 1,000	72	159,443
Total	5,543	595,139

Source : Report on Survey of Construction Industries  
Department of Statistics Malaysia, July 2009

### 4.3 Employees and Construction Labour

One of the CIDB's functions is to register the nation's construction personnel. The information could serve as a reference for strategic planning, policy making and planning for human resources developing programmes in the Construction Sector.

#### 4.3.1 Number of Construction Workers

In 2008, the cumulative number of construction personnel registered with CIDB rose by 13.0% to 934,590 under various categories. Out of this total, 709,724 personnel [75.9%] were local construction personnel, whereas the rest were foreign construction personnel (Table 14).

**Table 14** Construction Personnel Registered with CIDB

Category	2004	2005	2006	2007	2008
Construction Worker	249,389	298,647	356,385	419,951	487,956
Semi-skilled Worker	29,878	34,165	38,161	42,293	43,989
Skilled Worker	94,274	101,242	111,087	123,460	129,234
Construction Site Supervisor	54,806	58,374	62,868	73,017	77,234
Construction Manager	37,705	40,067	43,593	48,503	51,755
Administration Personnel	51,271	65,776	89,587	119,616	144,422
Total	517,323	598,271	701,681	826,840	934,590

Source : CIDB Malaysia

## 4.4 Productivity

### 4.4.1 Value Added Per Employee

In 2008, the construction sector contributed 2.9% to the national GDP. Table 15 shows the value of Malaysia's gross domestic product and number of employees in the Construction Sector according to year. In 2008, the value of the GDP was RM 15.60 billion compared with the number of employees used in the Construction Sector which was represented by as many as 758,400 persons.

This scenario has subsequently contributed to the Malaysia's gross domestic product per employees in 2008 by as much as RM 20,575. This number represents a rise of nearly 2.0% compared to output per employee for year 2007 [RM 20,176 per employee].

**Table 15 Construction Sector Value-added and Employment**

	2004	2005	2006	2007	2008
Construction Sector value-added (RM million)	14,903	14,685	14,604	15,279	15,604
Construction Sector Employees ('000 orang)	767.3	759.6	755.2	757.3	758.4
Value-added per Employee (RM)	19,423	19,332	19,338	20,176	20,575
Variance	-	-0.5%	0.03%	4.3%	2.0%

Source : Series of Central Bank of Malaysia Report

#### 4.5 Construction Cost

Observations on construction material prices by CDB showed that most of the construction material prices have rise between 20% - 40% in July 2008. The rise in the construction materials started since end 2006, and was evident after which Malaysia experienced a price hike in middle of 2008 when the fuel prices in the country was raised on 5 June 2008. Based on average price trends registered by major construction materials in July 2008, when compared to average prices in January 2007, the cost of round steel bar have risen around 115.0%, bitumen 6.2%, ready-mixed concrete 45.6%, clay bricks 44.0% and cement 30.4%. However, the price of construction materials stabilize during mid 2009.

**Table 16 Average Price of Construction Building Materials in Peninsular Malaysia (RM / tonne)**

Construction Material	2006	2007	2008
Mild Steel Round Bar	1,565.20	2,060.54	3,086.10
High Tensile Deformed Bar	1,604.00	2,082.42	3,109.50
Cement	10.14	11.00	13.05
Concrete	144.79	153.86	188.50
Sand	13.51	14.14	29.25
Agregate	18.23	18.85	25.45
Clay Brick (RM / unit)	0.25	0.26	0.32
Cement Brick (RM / unit)	0.15	0.16	0.23
Bitumen	1,176.67	1,247.50	1,616.65

Source : CIDB Malaysia

#### 4.5.2 Construction Industry Salaries and Wages

Based on the research conducted by CIDB Malaysia, the average wage for a construction machine operator in January 2009 was around RM71.00 to RM109.00 per day for local skilled operator and RM58.00 to RM83.00 per day for a local semi-skilled operator. On the contrary, this rate differs for a foreign skilled worker which is around RM46.00 to RM83.00 per day and foreign semi-skilled workers are paid between RM41.00 to RM 70.00 per day.

**Table 17 Construction Machine Operator Wage Rates in Peninsular Malaysia at January 2009 (RM daily)**

Category of Machine Operators		Skilled Workers		Semi-skilled Workers	
		Local	Foreign	Local	Foreign
1	Excavator Operator	80.00 - 99.00	64.00 - 69.00	-	-
2	Pile Rigger	67.00 - 89.00	65.00 - 73.00	58.00 - 72.00	52.00 - 61.00
3	Off Road Truck Operator	71.00 - 78.00	56.00 - 64.00	57.00 - 62.00	48.00 - 54.00
4	Backhoe Loader Operator	73.00 - 88.00	58.00 - 67.00	-	-
5	Roller Operator	72.00 - 80.00	55.00 - 62.00	59.00 - 64.00	46.00 - 52.00
6	Roller / Compactor Operator	72.00 - 83.00	53.00 - 66.00	58.00 - 71.00	45.00 - 52.00
7	Scapper Operator	74.00 - 92.00	63.00 - 72.00	62.00 - 69.00	53.00 - 61.00
8	Motor Grader Operator	77.00 - 86.00	62.00 - 70.00	-	-
9	Wheel Loader Operator	74.00 - 84.00	59.00 - 67.00	60.00 - 67.00	46.00 - 59.00
10	Paver Operator	80.00 - 87.00	46.00 - 67.00	65.00 - 69.00	50.00 - 59.00
11	Mobile Crane Operator	95.00 - 103.00	71.00 - 83.00	66.00 - 80.00	52.00 - 68.00
12	Crawler Crane Operator	96.00 - 102.00	72.00 - 83.00	77.00 - 82.00	52.00 - 69.00
13	Tower Crane Operator	96.00 - 109.00	69.00 - 80.00	80.00 - 83.00	53.00 - 70.00
14	Forklift Operator	74.00 - 81.00	48.00 - 61.00	58.00 - 66.00	41.00 - 51.33
15	Slinger/Dogger	74.00 - 78.00	61.00 - 67.00	59.00 - 64.00	49.00 - 56.00

Source : CIDB Malaysia

In terms of construction workers wage rates, on the whole local skilled workers were paid between RM52.00 to RM108.00 per day and foreign skilled workers were paid between RM 42.00 to RM 80.00. Meanwhile, wage rate for local skilled electrical wireman is about RM1,750.00 to RM3,239.00 per month. This rate was differs for a foreign skilled electrical wireman with a rate of around RM1,480.00 to RM2,231.00 per month. Local semi-skilled workers were paid around RM55.00 to RM73.00 per day whereas wage rate for foreign semi-skilled workers was around RM46.00 to RM59.00.

**Table 18 Construction Workers Wage Rates in Peninsular Malaysia at January 2009 (RM daily)**

Category of workers		Skilled Workers		Semi-skilled Workers	
		Local	Foreign	Local	Foreign
1	General construction worker-Building	52.00 - 58.00	42.00 - 46.00	-	-
2	Concretor	67.00 - 90.00	60.00 - 66.00	56.00 - 63.00	48.00 - 50.00
3	Barbender	67.00 - 79.00	60.00 - 67.00	55.00 - 66.00	48.00 - 50.00
4	Carpenter-Formwork	71.00 - 100.00	62.00 - 69.00	60.00 - 68.00	49.00 - 53.00
5	Bricklayer	72.00 - 92.00	60.00 - 69.00	59.00 - 65.00	49.00 - 51.00
6	Roofer	68.00 - 83.00	60.00 - 68.00	58.00 - 66.00	50.00 - 55.00
7	Carpenter-Joinery	77.00 - 107.00	67.00 - 73.00	64.00 - 73.00	52.00 - 57.00
8	Steel Structure Fabricator	77.00 - 108.00	66.00 - 80.00	64.00 - 72.00	55.00 - 57.00
9	General Welder	76.00 - 108.00	66.00 - 80.00	62.00 - 73.00	53.00 - 57.00
10	Plumber-Building & Sanitary	67.00 - 87.00	58.00 - 67.00	56.00 - 67.00	48.00 - 52.00
11	Plumber-Reticulation	78.00 - 91.00	67.00 - 70.00	63.00 - 72.00	50.00 - 59.00
12	Building Wiring Installer	70.00 - 80.00	52.00 - 61.00	-	-
13	Electrical Wireman PW2 (RM monthly)	1,750.00 - 2,480.00	1,480.00 - 2,000.00	-	-
14	Electrical Wireman PW4 (RM monthly)	2,119.00 - 3,239.00	1,839.00 - 2,231.00	-	-
15	Scaffolder - prefabricated	68.00 - 98.00	58.00 - 70.00	56.00 - 70.00	49.00 - 55.00
16	Scaffolder - tubular	69.00 - 97.00	58.00 - 70.00	56.00 - 67.00	49.00 - 56.00
17	Plasterer	72.00 - 97.00	62.00 - 78.00	60.00 - 68.00	51.00 - 56.00
18	Tiler	79.00 - 109.00	68.00 - 81.00	66.00 - 72.00	54.00 - 57.00
19	Painter-Building	66.00 - 87.00	55.00 - 67.00	55.00 - 65.00	46.00 - 53.00
20	General construction worker-civil	54.00 - 63.00	45.00 - 49.00	-	-

Source : CIDB Malaysia



#### 4.6 Import and Export of Construction Services

In 2008, foreign contractors involved in construction works with values at RM4.45 billion. From the value standpoint, it was a decrease of 24% compared to the previous year (2007: RM5.86 billion). This values contribute around 6% of the total projects value in the country (2007 : 6% dan 2006 : 9%). The total value of projects awarded contributed by Chinese contractors amounted to RM2.48 billion, Japanese at RM1.34 billion, Germans at RM0.68 billion, Korean at RM0.16 billion and France at RM0.10 billion. Among the big projects implemented by foreign contractors in Malaysia in 2008 were foundation and sub-structure works for the Second Penang Bridge worth RM2.2 billion, construction of Global Footprint Line at Selangor Science Park worth RM0.67 billion and construction of residential units worth RM0.46 billion.

Involvement of Malaysian contractors in global market in 2008 witnessed their success in securing of 40 projects under various categories worth RM8.48 billion. In terms of value however, this acquisition was a decline at 51.2 % compared to 2007 at RM 17.38 billion. The United Arab Emirates market represents the biggest market with a procurement value of RM2.88 billion. It was followed by the Saudi Arabia market (RM1.82 billion), Vietnam (RM1.31 billion), Algeria (RM0.85 billion) and the Kingdom of Bahrain (RM0.49 billion).

Utility facility projects were the mainstay of projects undertaken by Malaysian contractors besides building projects that included residences. Among the biggest projects undertaken in 2008 were the construction of the New Tusdeer Container Terminal (TCT) at Jeddah Port, Saudi Arabia worth RM1.80 billion, construction of Yen So Park Project in Thanh Tri District South Hanoi, Vietnam worth RM1.3 billion and construction of a Main Building of Rihan Heights in Arzanah Mix Development (Phase 1), Abu Dhabi worth RM1.1 billion.

**Table 19 Import and Export of Construction Services**

Type of Contractors	2006		2007		2008	
	Number	Value (RM billion)	Number	Value (RM billion)	Number	Value (RM billion)
Local Contractors in Domestic Market	4,052	56.97	7,128	85.62	5,896	73.99
Foreign Contractors in Domestic Market	61	3.96	92	5.86	65	4.56
Local Contractors in Global Market	59	28.64	56	17.38	40	8.48
Total	4,172	89.57	7,276	108.86	6,001	87.03

Source : CIDB Malaysia  
Figures as at June 2009

## 5.0 FORECASTS OF CONTRACT WORK 2009-2010

Malaysia, being a relatively small developing country, is dependent on global trade and Foreign Direct Investment (FDI) flows which are important catalysts for driving economic growth. With the financial crisis and accelerating economic downturn that adversely affected FDI flows, Malaysia was not spared from experiencing its negative impact. Most of Malaysia's trading partners have also been affected by the downturn which hampered the demand for its exports during the first half of 2009. Furthermore, almost all sectors started to show signs of decline in their production levels during the first quarter of 2009, that resulted in a negative growth of 6.3% in the Malaysian economy. This scenario lingered into the second quarter of 2009, with the further contraction of the Malaysian economy by as much as 3.9%, therefore a negative growth of 5.1% was registered during the first half of 2009. With the weakening of the economy over two quarters, it was apparent that Malaysia's economy was experiencing a technical recession. Despite the challenges, the Malaysian Construction Sector continued to sustain itself with a positive growth, contributed by the implementation of a sizable number of projects during the three-year period of the 9th Malaysia Plan and the economic stimulus packages of 2009.

Up until end of July 2009, the value projects that were awarded amounted to RM27.98 billion, a decreased of 36.2% compared with those projects awarded during the same period in 2008. Residential projects, considered a mainstay of investments by the private sector shrunk by as much as 33.2% in terms of projects value. Commercial and industrial projects forecasted to be slower, in response to the current momentum that is driving the economy. At the global level, majority of the developed countries had to contend with facing the unpredictable risks that surfaced in their domestic economy. In the IMF report, it was anticipated that all developed nations, some of whom are the main trading partners of Malaysia will also be experiencing the economic downturn in their respective countries in 2009. On the home front, it was forecasted that the Malaysian economy would decline around 4.0% - 5.0% this year. Consumers' sentiments and business confidence remain weak in an environment marred by an unpredictable economy that caused consumers and businesses to be more caution in their spending and investments.

The flow of FDI into Malaysia in the year 2009 is expected to decline by 50% compared to the year 2008. Economic indicators for the first half of 2009 indicated that the situation was not likely to improve soon. Recommended investment in the manufacturing sector dipped from 37.0% to 44.1% during the same period and capital formation dropped by as much as 10.3%. The property market was expected to drop, fuelled by a weaker demand. Sales performance of new residential projects slid to 44.5% from 45.1% during the same period in 2007. On the whole, the number of approved building plans were also saw a decline compared with those awarded during the same period. In particular, approval of building plans for housing dropped by 23.8%, business complexes dropped by 14.6% and office building projects that were initiated decreased by 68.9% compared to those that commenced during fourth quarter of 2008. The rate of hotel accommodation take-up reached 58.5%, while the average rate of occupancy by complex and office building retailers stood at around 81.9% and 85.3% respectively. This was in contrast to the noteworthy rise of 1.6% in public

sector expenditure contributed by the implementation of two stimulus packages worth RM 67.0 billion, a rational effort on the Government's part to stimulate demand during the economic downturn in mitigating impact of the crisis. Based on yearly trends of projects awarded, CIDB forecasts that construction project value for 2009 will hover between RM 60.0 and RM 64.0 Billion. This projection draws its reference from the project value of RM28.0 billion that was achieved during the first half of 2009, which in itself, was lower compared to previous years. This indicator shows a resilient Construction Sector for the Malaysian construction sector in 2009.

The half year assessment of the global economic in mid 2010 revealed an acute absence of much desired progress. Until now, economic indicators showed no signs of quick recovery in the global economy. The crisis faced by the banking sector and workers retrenchment in the US have yet to be managed effectively. The issues faced by the financial sector in EU need to be addressed urgently to prevent the occurrence of a similar crisis in US. Amidst this challenging scene, majority of economists forecast the global economy witnessing a turnaround either in 2010 or early 2011. In response to this projection, private sector investment is expected to increase significantly by mid 2010 and will register higher compared to 2009. This increase will stem from the undertaking of many high-value residential and commercial development proposals from renowned players in 2009. 'Syarikat Perumahan Negara', on the other hand, will continue to construct more affordable homes. The accommodative financial policy and low borrowing costs will support in expediting domestic economic activities. Business confidence and consumer sentiments are expected to recover in response to forecasted improvements from 2009 onwards. On the global front, the IMF has indicated positive growth in the majority of Malaysia's trading partners in 2010, the result of efforts expended in 2009 to stimulate the economy. In tandem with this projection, Malaysian economy forecasted with a positive growth of between 3.5% - 4.0%.

The public sector expenditure on social amenities and infrastructure will remain high in order to fulfill Governments commitment on the welfare of citizens and strengthen the national economy. The implementation of the 9th Malaysia Plan will see its conclusion in the year 2010 and usually, the implementation of Government projects is slowed down. However, in the unpredictability of the global economy scenario, the Government is expected working towards increasing project implementation activities to stimulate the domestic economy. It is expected that a number of privatisation projects that have been shelved are going to be revived. Government projects value for 2010 is expected to amount around RM33.0 – RM35.0 billion, a significant contribution of 45% - 50% in terms of project value in 2010. This translates to a potential of an annual project value of around RM70.0 – RM73.0 billion for the year 2010, which in turn, would reflect bright and promising construction prospects for the Malaysian construction sector.

## Issues And Challenges

Majority of countries which have been experiencing the negative impact of the global economic downturn have undertaken their own stimulus packages by increasing the construction activities. Concerted efforts in the implementation of projects are expected to raise construction material prices, worker wages and other types of input. This phenomenon will increase the building cost that may affect the implementation of current construction projects and those that have been planned in the pipeline. This situation will eventually translate into an obstacle that may slow down the demand catalyst effect.

The strategy to manage economic demand through construction will be more effective when projects are implemented quickly. Delays in project undertaking will indirectly affect the economy. The speed of project implementation is often hampered by budget availability and funding as well as site readiness. In many cases, the efficient site preparation has been challenged by issues related to those involving squatters and various authorities. On the other hand, small projects and maintenance work is not capable in creating the demand due to narrow supply chain. Even the effect, will take a long time to acquire such results.

Malaysia has long been dependent on external / export demands to enhance economic growth. In their efforts to stimulate domestic economy, many nations have started to impose trade protectionism measures. These measures have inevitably affected the flow of global trade that would benefit from stimulation initiatives. As such, nations which are dependent on exports are bound to experience the negative impact, thus prolonging the global economic downturn. Even now, the global economic downturn has adversely affected the growth and stability of many countries, including the developed countries. The prolonged downturn will eventually reduce national income. This reduction will limit the implementation of another stimulus packages to mitigating the impact of the downturn. If the stimulus packages are launched, the budget deficit will increase. The implementation of the Malaysia's first economic stimulus package of RM7.0 billion caused a budget deficit from 3.6% to 4.8% and the implementation of the second package at RM60.0 Billion had increased the budget deficit to 9.0 %. A high budget deficit will portray an inefficient macro management and may well hamper the growth of the domestic economy. This is a scenario that the Government is always trying to avoid.

In Malaysia, it is estimated 2.11 million foreign workers are employed in various sectors, represent 18.3% of the total work force. In construction sector, there are about 312,573 foreign workers. This number makes up 41.2% out of the total number of work force in Construction. Malaysian construction sector is still dependent on the services of unskilled foreign workers. Due to the availability of employment opportunities, foreign workers have been transferring an estimated RM5.0 – RM6.0 billion out of the country on an annual basis. This outflow has reduced the multiplier effect to drive growth in the domestic economy. This total of outflow can possibly raise the GDP almost 1.0% if the spending is constrained within the country. The expedited implementation of construction projects will inevitably increase the dependency on foreign workers.

In general, local citizens are not interested in involving themselves in the construction sector due to an unattractive payment structure and service terms that do not guarantee job security. On an annual basis, CIDB has been training an average of 20,000 local construction workers and youths as an effort to reduce the need on foreign workers. However, its efforts have been impeded by the availability of more job opportunities in other sectors. In addressing this issue, it is imperative that the construction sector embark on establishing a wage system and service terms that guarantee job security. However, this consideration may impose a negative impact on competitiveness and generate risk management concerns over high cost overheads. Hence, the eventual reduction of dependency on foreign construction workers is expected to be a long-term endeavor.

Currently, the Malaysian Construction Sector is focusing on transforming construction processes from conventional building methods to the Industrialised Building System [IBS] to reduce the dependency on unskilled foreign workers. This transformation is slow in its progress due to the availability of a large base of foreign workers who are willing to be paid lower than market rate wages. Hence, the original intention to revolutionise the industry with this transformation initiative has been hampered by the need to develop more IBS components and develop the competencies of contractors. Efforts directed at this issue have long been implemented but have yet to see its fruition and effectiveness because the adoption of the conventional system of construction is still being considered as the most cost-effective approach and efforts on transforming related practices remain an option to be reckoned with. As a nation that promotes free market, there is no special policy to make it mandatory for contractors to get up to speed with the adoption of the IBS concept. When viewed against the need for a basis for consideration by businesses and industry players alike, the time taken for the alignment of mindsets towards implementing the IBS concept is expected to be longer than intended.