

Malaysia Country Report

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1. Executive Summary

The Malaysian economy rebounded to register a strong economic growth of 7.2% in 2010 after a contraction of 1.6% in 2009. The construction sector expanded by 5.1% in 2010 (2009: 5.9%), which was driven by speedy implementation of projects awarded in the early and middle of the 9th Malaysia Plan (9MP), in anticipation of completion in 2010, being the last year of the 9MP. The private sector continued its domination with RM62.28 billion or 76.0% of the construction projects awarded in 2010 while the public sector took a backseat with RM19.18 billion of construction projects awarded or approximately 24.0% of the total value of projects in 2010. The increase of private projects was driven by the confidence of consumers, which in turn pushed demand for the category of residential and non-residential projects. This was also in line with the government's desire to give the private sector a more prominent role in the economy. Prices of major building materials were stable throughout 2010, though there were some concerns of a marginal increase in steel prices. Salary and wages of construction personnel too did not show much change and the number of registered construction workers, as with the previous years, steadily increased. For 2011, CIDB estimates that the value of construction projects awarded may increase approximately RM83.00 billion – RM85.00 billion, while the value of construction projects for 2012 is estimated to increase around RM85.00 billion – RM88.00 billion after taking into account the forecasted growth rate and the uncertainties regarding the global economy that are feared will affect the Asian region, including Malaysia.

2. Macroeconomic Review and Outlook

2.1. Overview of National Economy

Overview of the Malaysian Economy in 2010

The healthy increase in consumer spending and the recovery in the exports market spurred the Malaysian economy to register an improved economic performance at 7.2% in 2010 (2009: -1.6%). In general, the Malaysian economy performed well in the first half of 2011, but gradually moderated during the second half of 2011. Trade balance continued to rule in favour of the Malaysian economy at a surplus of RM110.23 billion (2009: RM117.85 billion) while exports and imports rose by 15.7% to RM639.43 billion and 21.7% to RM529.19 billion respectively. The manufacturing sector grew by 11.4% after suffering the biggest deficit in the previous year (2009: -9.3%), followed by the

services sector at 6.8% and the construction sector at 5.1%. The positive growth was also driven by effective monetary policies by the central bank and the overall positive sentiments on the ground, which was reflected through the increase in foreign direct investment (FDI). Inflation rose by 1.7% in 2010 (2009: 0.6%) and the unemployment rate stood at 3.4% (2009: 3.7%) and is projected to remain low based on the favourable economic conditions. The monetary policy remained accommodative in 2010 with the overnight policy rate (OPR) being raised three times by 25 basis points respectively in March, May and July 2010 and concluding at 2.75% by the end of the year. In addition, the base lending rate (BLR) increased from 5.51% to 6.27% throughout 2010. Both adjustments were necessary to 'normalise' the financial market and also, in view of the rising inflation, and to rein in the price bubbles in the property market. On average, the Ringgit Malaysia was weaker against regional currencies but strengthened against the US Dollar.

Table 2.1 Macroeconomic Overview and Outlook Table

	2006	2007	2008	2009	2010
GDP by economic activity at 2000 chained price (RM million)					
Agriculture	37,701	38,177	39,825	40,083	40,916
Mining	42,030	42,881	41,831	39,209	39,270
Manufacturing	147,154	151,257	153,078	138,784	154,640
Construction	14,639	15,707	16,365	17,329	18,220
Services	247,009	272,406	293,072	302,045	322,611
Real GDP	475,526	506,341	530,683	522,001	559,554
GDP growth by economic activity at 2000 chained price (%)					
Agriculture	5.2	1.3	4.3	0.6	2.1
Mining	-1.0	2.0	-2.4	-6.3	0.2
Manufacturing	6.7	2.8	1.2	-9.3	11.4
Construction	-0.3	7.3	4.2	5.9	5.1
Services	7.4	10.2	7.6	3.1	6.8
Real GDP Growth	5.8	6.5	4.8	-1.6	7.2
Demographic Indicator					
Population (million)	26.8	27.2	27.5	27.9	28.3
Labour force ('000 persons)	10,628.9	10,889.5	11,028.1	11,315.3	11,517.2
Unemployment rate (%)	3.3	3.2	3.3	3.7	3.4
Financial Indicator					
Inflation rate (%)	3.6	2.0	5.4	0.6	1.7
Short term interest rate - 3 months (%)	3.19	3.15	3.04	2.03	2.74
Long term interest rate - 12 months (%)	3.73	3.70	3.50	2.50	2.97
Annual average exchange rate (<i>RM against USD</i>)	RM3.67	RM3.44	RM3.33	RM3.52	RM3.22

Source: 2010/ 2011 Ministry of Finance Economic Report

Review of Malaysian Economy in the First Half of 2011

The Malaysian economy grew by 4.4% in the first half of 2011 following the slight fall in exports and mainly due to the high-base effect during the first half of 2010 (1H 2009: 9.5%). The skittish environment in the world economy will compel the Malaysian economy to be balanced by the regional trading activities along with domestic demand in forms of private investment and consumer spending. Trade performance is expected to increase gradually in the second half of 2011 and also in view of the challenging global environments, with imports expanding faster than exports. All economic sectors are

expected to grow positively, except for the mining sector. The construction sector grew by 2.1% during the first half of 2011 (2H 2010: 6.2%) resulting from the progress in the residential and non-residential projects, as well as due to the completion of several highways. Inflation peaked in June 2011, at 3.5%, due to higher fuel and food prices while the unemployment rate is expected to improve with job creation in the services and the manufacturing sectors. The OPR increased once in May 2011 by 25 basis points to 3.00% and subsequently the BLR increased, on average from 6.27% to 6.54% in the first half of 2011.

3. Overview of the Construction Industry

3.1. Construction Project Review in 2010

The value of construction projects' awarded increased by 9.9% to RM81.46 billion (2009: RM74.14 billion) in 2010, with the private and public sectors' contributions registering at 76.5% and 23.5% respectively from the total value. Private sector projects rose by 53.3% to RM62.28 billion (2009: RM40.62 billion), as the economy recovered which saw more private investment activity and developers embarking on new construction projects. This was also in line with the government's aim to push the private sector as the main driver of the economy. The public sector projects, meanwhile fell by 42.8% to RM19.18 billion (2009: RM33.52 billion) as 2010, being the last year of the 9MP, saw fewer government sector projects awarded since most of the construction projects planned had already been distributed in 2007 during the earlier phase of the 9MP. This, in turn, saw a rush for public sector projects to be completed in 2010.

Non-residential projects registered RM27.37 billion followed by infrastructure projects at RM23.77 billion and residential projects at RM21.44 billion. A favourable economic climate ensured new commercial and industrial investments for non-residential projects. The increase in the infrastructure projects was due to the high-valued projects awarded under the sub-category of utilities and transport. Meanwhile, the strong rise in the residential projects tendered in 2010 was mainly driven by the return of consumers' confidence and also attributed to the government scheme to encourage home ownership among the young population, *My First Home Scheme*. The largest construction projects undertaken in 2010 were the Ulu Jelai hydroelectric project in Pahang (RM2.1 billion), Polycrystalline Silicon Factory in Sarawak (RM1.1 billion) and a commerce development project in Terengganu (RM1.0 billion).

Table 3.1 Value of Construction Projects by Sector and Type of Project

Sector and Type of Project	Value (RM billion)					
	2006	2007	2008	2009	2010	1H 2011*
Total Private Sector	38.34	46.54	48.16	40.62	62.28	19.03
Residential	14.01	15.05	14.85	12.16	20.13	6.75
Non-Residential	16.84	20.43	20.17	16.30	24.46	8.40
Social Amenity	0.81	1.10	2.73	1.51	2.73	1.00
Infrastructure	6.61	9.84	10.18	10.52	14.64	2.70
Others	0.07	0.12	0.23	0.13	0.32	0.18
Total Public Sector	22.11	54.18	38.93	33.52	19.18	5.24
Residential	1.85	1.91	2.16	2.10	1.31	0.16
Non-Residential	3.76	6.80	5.48	6.16	2.91	0.35
Social Amenity	3.10	10.98	16.44	13.89	5.73	2.03
Infrastructure	13.39	34.41	14.81	11.34	9.13	2.67
Others	0.01	0.08	0.04	0.03	0.10	0.03
Grand Total	60.45	100.72	87.09	74.14	81.46	24.27

*As at 30 June 2011
Source: CIDB Malaysia

3.2. Contractor Registration

The number of contractors registered in 2010 declined slightly to 71,519 (2009: 71,549 contractors). Grade G1 – G3 contractors accounted for 79.5% or 56,870 contractors of the total contractors registered in 2010 while grade G4 –G6 contractors and foreign contractors accounted for the rest. The number of registered contractors of Grade G1 – G3 and G7 experienced a decline in their respective categories. The number of registered contractors is expected to be maintained with the implementation of the Continuous Contractor Development (CCD) Programme in which every contractor is obliged to collect a certain number of CCD points based on their registration grade. The programme which was enforced on 1 January 2010 is to ensure contractors will increase their knowledge and be involved in construction related activities.

Table 3.2 Registration of Contractors

Grade	Bidding Limit	2006	2007	2008	2009	2010	1H 2011*
G1	Not exceeding RM200,000	37,573	35,977	35,132	35,375	35,262	34,076
G2	Not exceeding RM500,000	7,884	8,126	8,516	9,192	9,258	8,646
G3	Not exceeding RM1,000,000	11,023	11,314	11,783	12,419	12,350	11,373
G4	Not exceeding RM3,000,000	2,431	2,622	2,854	3,091	3,126	2,962
G5	Not exceeding RM5,000,000	3,647	3,844	4,136	4,467	4,541	4,327
G6	Not exceeding RM10,000,000	1,382	1,444	1,532	1,657	1,690	1,594
G7	Unlimited	4,830	4,974	5,094	5,169	5,105	4,915
Foreign	Unlimited	174	179	175	179	187	199
Total		68,944	68,480	69,222	71,549	71,519	68,092

*As at 30 June 2011

Source: CIDB Malaysia

3.3. Registration of Consultants and Construction Personnel

A total of 13,063 consultants were registered in 2010, comprising 10,384 engineers, 1,772 architects and 907 quantity surveyors, while a total of 207,345 construction personnel were registered in 2010. As the previous years, the registration of consultants and construction personnel was balanced and did not greatly vary.

Table 3.3.1 Registration of Consultants by Type

Type of Consultant	2006	2007	2008	2009	2010	1H 2011*
Architect ¹	1,621	1,633	1,697	1,714	1,744	1,772
Engineer ²	9,343	9,384	9,545	10,159	10,298	10,384
Quantity Surveyor ³	799	822	841	862	844	907
Total	11,763	11,839	12,083	12,735	12,886	13,063

*As at 30 June 2011

Source:

¹ Board of Architects Malaysia

² Board of Engineers Malaysia

³ Board of Quantity Surveyors Malaysia

Table 3.3.2 Registered Construction Personnel by Type

Category of Worker	2010
General Worker	97,663
Skilled Construction Worker	22,279
Administration Personnel	41,578
Site Supervisor	24,554
Construction Manager	21,271
Total	207,345

*As at 30 June 2011
Source: CIDB Malaysia

3.4. Construction Productivity

Value-added per employee in the construction sector rose by 4.7% to RM23,801 per worker in 2010 (2009: RM22,730 per worker). The increase in productivity is expected to continue in the future, as the Industrialised Building System (IBS) is prudently used in the construction project, and with the execution of several key projects under the 10th Malaysia Plan (10MP) and 72 identified entry point projects (EPP) in 2012.

Table 3.4 Value-Added Per Employee

	2006	2007	2008	2009	2010
Construction Sector Value- Added (RM million)	14,639	15,707	16,365	17,329	18,220
Construction Sector Employee ('000)	755.2	757.3	758.4	762.4	765.5
Value-Added Per Employee (RM)	19,384	20,741	21,578	22,730	23,801

Source: Computed from 2010/ 2011 Ministry of Finance Economic Report

3.5. Construction Cost

Average Price of Major Construction Materials

Almost all average prices of major construction materials showed an increase in 2010 except for ready mix concrete and sand. The increase was particularly higher in steel as both MRSB and HDTB average prices increased by 14.0% to RM2,280.98 per metric tonne (2009: RM1,998.69 per metric tonne) and RM2,248.34 metric per tonne (2009: RM1,969.72 metric per tonne) respectively.

IBS Installer Wage Rates

A new category for Industrialised Building System (IBS) installers was produced in 2010, which comprises 6 categories, composed only of local workers as this job group is not open to foreign workers. An IBS precast-concrete installer earned the highest daily wages for a skilled and semi-skilled worker at RM70.00 – RM150.00 and RM55.00 – RM105.00 respectively, while other workers were relatively comparable in their daily wage rates.

Table 3.5.1 Average Prices of Major Construction Materials

Category of Material	Unit	2006	2007	2008	2009	2010	2011 1H*
MRSB	MT	1,560.20	2,060.54	3,086.09	1,998.69	2,280.98	2,549.15
HDTB	MT	1,604.00	2,082.31	3,109.48	1,969.72	2,248.34	2,509.34
Ready Mix Concrete	m3	144.79	146.77	188.46	211.69	198.31	193.86
Granite Aggregate 3/4	MT	18.23	26.36	25.46	22.00	23.83	23.95
Cement (50 kg)	Bag	10.14	11.05	13.05	14.25	15.17	16.17
Sand	MT	13.86	25.03	29.24	25.09	13.25	17.16
Clay Brick (Retail)	Piece	0.25	0.25	0.32	0.29	0.33	0.37
Bitumen	m3	1,068.33	1,247.50	1,616.67	1.53	1.73	1,804.33
Diesel (Industry)	litre	2.18	2.25	2.92	2.15	2.67	3.57

Source: CIDB Malaysia

Table 3.5.2 IBS Installer Wage Rates in Peninsular Malaysia (daily)

Category of Worker	Skilled Worker (RM)		Semi-Skilled Worker (RM)	
	Minimum	Maximum	Minimum	Maximum
IBS Precast Concrete Installer	70.00	150.00	55.00	105.00
IBS Lightweight Panel Installer	65.00	150.00	50.00	100.00
Lightweight Blockwall Installer	65.00	120.00	45.00	90.00
System Formwork Installer	65.00	120.00	50.00	90.00
Roof Truss Installer (Timber)	60.00	150.00	45.00	100.00
Roof Truss Installer (Light Gauge Steel)	60.00	150.00	50.00	100.00

Source: CIDB Malaysia

Construction Machine Operator Wage Rates

On average, the daily wage rates of a machine operator increased by 1% - 17% against the same period last year for most of the workers' categories. A mobile crane operator earned the highest daily wage for both semi-skilled and skilled workers, at RM45.00 – RM120.00 and RM75.00 – RM200.00 for a local worker, and RM50.00 – RM115.00 and RM35.00 – RM95.00 for a foreign worker. The lowest wage rates were rather varied for the workers' categories in the minimum scale.

Construction General Worker Wage Rates

The wage rates of construction general worker increased slightly and without the figure differing much compared with the same period last year. A general construction worker for building and civil work received the lowest daily wage rates for a local skilled worker, while a wheel-loader operator received the lowest wage rates for a foreign skilled worker. The wage rates under the semi-skilled category were very much negligible.

Table 3.5.3 Construction Machine Operator Wage Rates in Peninsular Malaysia (daily)

Category of Worker	Skilled Worker (RM)				Semi-Skilled Worker (RM)			
	Local		Foreign		Local		Foreign	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Excavator Operator	60.00	150.00	43.00	100.00	-	-	-	-
Pile Rigger	55.00	120.00	45.00	100.00	31.00	100.00	31.00	80.00
Off Road Truck Operator	50.00	110.00	40.00	90.00	40.00	90.00	31.00	70.00
Backhoe Loader Operator	50.00	150.00	40.00	90.00	-	-	-	-
Roller Operator	50.00	120.00	40.00	100.00	40.00	100.00	31.00	85.00
Roller / Compactor Operator	50.00	110.00	40.00	90.00	40.00	91.00	31.00	80.50
Scapper Operator	50.00	130.00	40.00	100.00	40.00	100.00	31.00	90.00
Motor Grader Operator	54.00	120.00	40.00	100.00	-	-	-	-
Wheel Loader Operator	50.00	160.00	30.00	90.00	40.00	100.00	30.00	90.00
Paver Operator	60.00	120.00	45.00	96.00	40.00	100.00	35.00	85.00
Mobile Crane Operator	75.00	200.00	50.00	115.00	45.00	160.00	35.00	95.00
Crawler Crane Operator	70.00	160.00	50.00	108.00	45.00	120.00	35.00	95.00
Tower Crane Operator	70.00	180.00	50.00	116.00	46.00	150.00	38.00	99.00
Forklift Operator	50.00	120.00	35.00	95.00	40.00	95.00	31.00	85.00
Slinger / Dogger	50.00	100.00	37.00	95.00	40.00	95.00	35.00	85.00

Source: CIDB Malaysia

Table 3.5.4 Construction General Worker Wage Rates in Peninsular Malaysia (daily)

Category of Worker	Skilled Worker (RM)				Semi-Skilled Worker (RM)			
	Local		Foreign		Local		Foreign	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
General Construction Worker - Building	30.00	84.00	28.00	65.00	-	-	-	-
Concretor	50.00	120.00	38.00	91.00	35.00	90.00	30.00	77.00
Barbender	50.00	120.00	38.00	100.00	40.00	90.00	34.00	75.00
Carpenter - Formwork	55.00	140.00	38.00	100.00	40.00	110.00	30.00	89.00
Bricklayer	55.00	120.00	38.00	95.00	40.00	90.00	34.00	74.00
Roofer	58.00	140.00	38.00	91.00	40.00	90.00	35.00	80.00
Carpenter - Joinery	60.00	150.00	42.00	101.00	50.00	100.00	32.00	81.00
Steel Structure Fabricator	60.00	150.00	40.00	100.00	40.00	100.00	30.00	84.00
General Welder	60.00	160.00	45.00	130.00	45.00	100.00	30.00	86.00
Plumber - Building & Sanitary	55.00	120.00	40.00	88.50	40.00	90.00	30.00	81.00
Plumber-Reticulation	55.00	120.00	40.00	96.50	40.00	100.00	30.00	80.00
Building Wiring Installer	-	-	-	-	50.00	101.00	30.00	91.00
Scaffolder - Prefabricated	58.00	120.00	40.00	96.00	40.00	96.00	30.00	86.00
Scaffolder - Tubular	58.00	120.00	45.00	96.00	50.00	90.00	35.00	86.00
Plasterer	60.00	150.00	40.00	93.50	50.00	100.00	35.00	79.00
Tiler	60.00	150.00	40.00	100.00	50.00	105.00	30.00	80.00
Painter - Building	55.00	180.00	38.00	91.00	40.00	90.00	34.00	75.00
General Construction Worker - Civil	40.00	75.00	28.00	70.00	-	-	-	-
Electrical Wireman PW2 (RM monthly)	1,000.00	3,100.00	800.00	2,300.00	-	-	-	-
Electrical Wireman PW4 (RM monthly)	1,500.00	4,400.00	1,000.00	3,300.00	-	-	-	-

Source: CIDB Malaysia

3.6. Export and Import of Construction Services

In 2010, Malaysian contractors managed to secure 19 projects worth RM2.78 billion (2009: RM4.87 billion). The value fell by 42.8% and the prospect is expected to be tough for the future amid the challenging global economy climate. The intra-Asian market was the centre of Malaysian construction companies, with 15 out of the 19 projects coming from the South-East Asian countries. The largest construction projects undertaken by Malaysian companies in foreign countries were the development and maintenance of a government building in Wadi Sail, Qatar (RM1.22 billion), a housing project in Brunei (RM0.83 billion) and road works in Uttar Pradesh, India (RM0.24 billion).

Comparatively, foreign contractors, notably the Japanese and German contractors, continued to rule the local Malaysian market after securing 108 projects worth RM9.2 billion. Among the largest construction projects awarded to foreign contractors were the top three projects in 2010 and the Sabah Oil and Gas Terminal (SOGT) project (RM0.82 billion).

Table 3.6 Export and Import of Construction Services

Category	2008		2009		2010	
	No. of Projects	Value of Project (RM billion)	No. of Projects	Value of Project (RM billion)	No. of Projects	Value of Project (RM billion)
Malaysian Contractors in Foreign Countries	56	9.01	29	4.87	19	2.78
Foreign Contractors in Malaysia	77	7.73	52	3.18	108	9.02

Source: CIDB Malaysia

3.7. Construction Industry Outlook for 2011/ 2012

The five-year economic plan, the Tenth Malaysia Plan (10MP), has allocated a financial budget of RM230.0 billion for its five-year implementation (2011 – 2015). A large portion of the allocation is to finance the development of economic (55%) and social (30%) sectors. For the first time, the government is introducing a two-year spending method (*rolling plan*) to provide more flexibility for the coordination of the allocation in the event of change in the global economic environment. Under this two-year *rolling plan*, a total of RM103.6 billion has been allocated for 2011 – 2012 expenditure, with RM51.2 billion allocated for 2011 including contingency reserves (RM2.0 billion) and the remaining RM52.4 billion for 2012 (Table 3.7).

The Malaysian economy is projected to grow by 5.5% – 6.0% for 2011 after taking into account the European debt crisis, the earthquake and tsunami in Japan which affected the flow of supply chain, the Jasmine uprising in the Middle East and North African (MENA) countries and the weaker United States (US) economic performance. The economy, however, is expected to pick up during the second half of 2011 with sustained consumers' spending and increase in export volume along with the implementation of several initiatives under the Economic Transformation Programme (ETP) and the execution of 72 out of 131 entry point projects (EPP). For 2011, the agriculture sector is

projected to grow at 4.7%, mining sector at -2.4%, manufacturing sector at 4.5%, services sector at 6.4% and construction sector at 3.4%.

Table 3.7 Expenditure and Allocation for Five-Year Malaysia Development Plans

Sector	8MP Expenditure (RM billion)	9MP Expenditure (RM billion)	10MP	
			Plan Allocation (RM billion)	2011 Budget (RM billion)
Economic sector	64.90	112.42	126.50	28.30
Social sector	69.82	74.71	69.00	15.50
Security sector	22.56	24.15	23.00	4.40
Public administration sector	12.66	11.49	11.50	0.96
Total	169.94	222.77	230.00	49.16

Source: 2010/ 2011 Ministry of Finance Economic Report

For 2012, the Malaysian economy is forecasted to grow by 5% – 6% assuming that the global economy will stay resilient and will not be caught in another *economic shock* with sustained domestic demand. The construction sector, though, is projected to grow by 7% in 2012, heightened from the increase in construction activity during 2012, with the implementation of long term-development projects such as the Sungai Buloh – Kajang MRT line and integrated transport terminal in Gombak along with the ongoing construction of existing projects such as the development of KLIA2 and rural basic infrastructure projects particularly in Sabah and Sarawak.

In the 2012 Budget, a total of RM49.2 billion has been allocated for development expenditure from the total budget of RM230.8 billion. From this amount, RM29.8 billion has been given to the economic sector, RM13.6 billion to the social sector, RM4.4 billion to the security sector and the balance of RM1.4 billion to general administration. Among the projects identified under the 2012 Budget are the Public-Private Partnership (PPP) projects (RM2.8 billion), water supply project to rural areas (RM2.1 billion), development of schools (RM1.9 billion), *Rural Road Programme and Village Link Road Project* (RM1.8 billion) and *upgrading and construction of new hospitals* (RM1.8 billion).

CIDB estimates that the value of construction projects awarded may increase approximately RM83.00 billion – RM85.00 billion for 2011, while the value of construction projects for 2012 is estimated to increase around RM85.00 billion – RM88.00 billion after taking into account the forecasted growth rate and the uncertainties regarding the global economy that are feared to affect Malaysia. Private projects are expected to feature

prominently in 2011 and 2012 as public projects assume a secondary role consistent with the government's aspiration for the private sector to be the engine of growth in the economy. Demand for residential properties is expected to stabilise in 2011 based on decreasing unsold residential units and is envisaged to be healthy in 2012, supported by better employment outlook, increase in household income, attractive mortgage rates, and the government initiatives through *My First Home Scheme* to encourage home ownership among the young population. Nevertheless, private sector investment in commercial and industrial real estate development (business complexes, hotels, factories and office buildings) is expected to remain strong coupled with the favourable business environment for 2012.