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# **Country Report**

## **MALAYSIA**



Construction Industry Development Board Malaysia (CIDB)

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## **CONTENT**

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### **EXECUTIVE SUMMARY**

### **MACROECONOMIC REVIEW AND OUTLOOK**

**Main Economic Indicator 2023**

**Malaysia Economy Outlook**

### **OVERVIEW OF THE CONSTRUCTION INDUSTRY**

**Construction Project's Review**

**Contractor Registration**

**Construction Labour Market**

**Construction Productivity**

**Construction Cost**

**Import and Export of Construction Services**

### **CONSTRUCTION INDUSTRY OUTLOOK FOR 2024**

## **EXECUTIVE SUMMARY**

In 2023, the Malaysian economy recorded a moderate growth at 3.7% (2022: 8.7%). The growth performance was driven by resilient domestic demand, particularly by private sector expenditure. Private consumption moderate to 4.7% after strong recovery in 2022 (11.2%) while Public consumption expended by 3.9% in 2023 (2022: 4.5%). On the supply side, all economic sectors continued to expand. Construction sector registered a growth of 6.1% (2022: 5%). The value of construction projects awarded in 2023 recorded at 13,308 projects worth RM145.67 billion. The number of contractors registered an increased by 0.9% to 132,272 contractors, meanwhile number of construction labour force amounted to 1.4 million people. Construction sector productivity continued the positive momentum at 5.0%. In general, almost all major building materials price recorded an increase in 2023 except steel reinforcement and glass. The prices of paint recorded the highest increase at 30.2%, followed by cement (21.2%) and bricks (20.5%). Average daily wage rates for skilled construction personnel recorded an increase between 6.8% to 24.7%. It is estimated that the construction sector will continue to grow in 2024. This was supported by better labour supply conditions and easing of building material costs during the year. The growth was driven by the faster progress of multi-year civil engineering projects, particularly in the transport and utilities segments.

## **MACROECONOMIC REVIEW AND OUTLOOK**

### **Main Economic Indicator 2023**

In the aftermath of the pandemic crisis and recovery in the past two years, the Malaysian economy grew at a moderate pace of 3.7% in 2023, following the robust rebound in 2022 (8.7%). The growth performance was driven by resilient domestic demand, particularly by private sector expenditure. Public consumption expanded by 3.9% (2022: 4.5%), supported by Federal Government's spending on both emoluments and supplies and services. Public investment spending increased by 8.6% in 2023 (2022: 5.3%). This was driven by higher fixed asset spending by the Government. Growth was also supported by continued

expansion by public corporations, mainly in the oil and gas (O&G) and transportation industry.

On the supply side, in 2023, economic sector was mainly driven by the services and construction sectors. Growth in the service sector expanded by 5.3% (2022: 10.9%). The manufacturing sector growth slowed to 0.7% (2022: 8.1%); agriculture sector continued to expand by 0.7% (2022: 0.1%); and mining sector expanded by 1% (2022: 2.6%). The construction sector registered a growth of 6.1% (2022: 5%) with continued expansion across most subsectors. This was supported by better labour supply conditions and easing of building material costs during the year. The growth was driven by the faster progress of multi-year civil engineering projects, particularly in the transport and utilities segments.

Malaysian labour market continued to improve. Employment grew by 2.8% (+439,200 persons; 2022: 3.1%, +472,400 persons). Of significance, the labour force participation rate reached a historic high of 70% (2022: 69.3%). The unemployment rate continued to decline towards pre-pandemic rates (2023: 3.4%).

Headline inflation moderated in 2023 after reaching its peak in 2022, averaging at 2.5% for 2023 (2022: 3.3%). The moderation was driven by broad-based easing in both core and non-core inflation. In particular, lower inflation for fuel (2023: -1.6%; 2022: 5.1%) as well as food and non-alcoholic beverages (2023: 4.8%; 2022: 5.8%) were among the main drivers contributing to softer headline inflation.

The Overnight Policy Rate (OPR) was raised by 25 basis points to 3.00% (2022: 2.75%). The adjustment marked the full withdrawal of the monetary stimulus intended to address the COVID-19 crisis in promoting economic recovery. The ringgit depreciated by 4.3% (2022: -5.5%) to the end year of 2023 by RM4.5915 against the US Dollar.

Table 1 Malaysia Main Economic Indicator

	2020	2021	2022	2023
GDP at real Prices (RM million)	1.35	1.39	1.51	1.57
GDP at current market prices (RM million)	1.42	1.55	1.80	1.82
GDP Growth at Real 2015 Prices (%)	-5.5	3.3	8.7	3.7
Agriculture	-2.4	-0.1	0.1	0.7
Mining and quarrying	-9.7	0.9	2.6	1.0
Manufacturing	-2.7	9.5	8.1	0.7
Construction	-19.3	-5.1	5.0	6.1
Services	-5.2	2.2	10.9	5.3
<b>Demographic Indicator</b>				
Population (million persons)	32.4	32.6	32.7	33.4
Population growth rate (%)	-0.2	0.4	0.4	2.1
Labour force (million persons)	15.1	15.3	15.8	16.2
Labour force growth rate (%)	-0.2	1.3	3.1	2.8
Unemployment rate (%)	4.5	4.7	3.8	3.3
Inflation rate (%)	1.2	2.5	3.3	2.5
<b>Financial Indicator</b>				
Overnight interbank interest rate (%)	1.75	1.75	2.75	3.00
Commercial banks fixed deposit interest rate (%)				
3 months	1.95	1.56	1.95	2.65
12 months	2.13	1.72	2.11	2.81
Exchange rate at end of period (RM against USD)	RM4.01	RM4.18	RM4.41	RM4.60

Source: Central Bank of Malaysia

## Malaysian Economy Outlook

The Malaysian economy grew at a higher rate of 4.2% in the first quarter of 2024 (Q4 2023: 2.9%) driven by stronger private expenditure and positive turnaround in exports. The

agriculture sector grew contracted by 1.6% (Q4 2023: 1.9%) and mining sector inclined by 5.7% (Q4 2023: 3.5%). Services sector inclined by 4.7% (Q4 2023: 4.1%) and manufacturing continue to grow by 1.9% (Q4 2023: -0.3%) remained supportive of the whole growth . The construction sector experienced a robust double-digit growth of 11.9% ( Q4 2023: 3.6%).

The Malaysian economy growth is projected to remain stable between 4.0% and 5.0% for 2024. The growth is expected to be driven by the recovery in export performance and robust domestic demand.

Table 2 GDP Growth by Main Economic Activity (%)

Economic Sector	Q4 2023	Q1 2024	Annual (f)
Agriculture	1.9	1.6	-0.5
Mining and Quarrying	3.5	5.7	3.5
Manufacturing	-0.3	1.9	3.5
Construction	3.6	11.9	6.7
Services	4.1	4.7	5.5
Real GDP Growth	2.9	4.2	4.0 – 5.0

Source: Central Bank of Malaysia

## OVERVIEW OF THE CONSTRUCTION INDUSTRY

### Construction Project Review

In 2023, value of construction projects awarded recorded at 13,038 projects worth RM145.7 billion. Construction project refers to projects awarded to the main contractor with the value of RM500,000 and above. In this report, the value and number of projects were taken as of March 2023.

Projects recorded by CIDB Malaysia are categorised into residential, non-residential, social amenities and infrastructure. Overall, in 2023, residential projects had the highest value of projects, representing 35.2%. Non-residential category ranking second with RM44.9 billion

(30.8%), followed by infrastructure projects at RM42.8 billion (29.4%) and social amenities projects at RM6.8 billion (4.6%).

The major contribution to Malaysian construction projects came from the implementation of 10 major projects each costing more than RM1.0 billion each amounting to RM38.6 billion as follows:

1. Provision of Engineering, Procurement, Construction and Commissioning (EPCC) for Oil & Gas Project in Sabah.

Award: December 2022; Expected completion: 2027

2. Factory Development in Penang.

Award: June 2021; Expected completion: 2026

3. EPCIC Alliance for Carbon Capture & Storage in Johor.

Award: November 2022; Expected completion: 2026

4. The Phase 1 Reclamation of Island A, in Pulau Pinang.

Award: June 2023; Expected completion: 2030

5. Onshore Gas Plant Project in Sarawak

Award: July 2022; Expected completion: 2025

6. Power Generating Facility of up to 1200MW, in Selangor

Award: March 2020; Expected completion: 2024

7. Hydroelectric Project in Kelantan

Award: October 2021; Expected completion: 2026

8. TIM2 Factory in Selangor

Award: January 2020; Expected completion: 2027

9. Rapid Transit System Link (RTS LINK)

Award: October 2020; Expected completion: 2025

10. Water Supply Scheme (Stage 1) in Selangor

Award: Julai 2022; Expected completion: 2025

Table 3 Value of Construction Projects Awarded by Sector and Type of Project

Project Category	2020		2021		2022		2023	
	Number	Value (RM b)	Number	Value (RM b)	Number	Value (RM b)	Number	Value (RM b)
Residential	2,275	31.27	2,610	34.59	2,722	41.44	3,125	51.27
Non Residential	3,270	25.66	3,908	50.68	4,081	69.19	4,512	44.87
Social Amenities	923	6.18	1,051	10.05	889	8.4	1,050	6.75
Infrastructure	3,238	28.32	3,977	37.72	4,079	46.24	4,351	42.77
Total	9,706	91.43	11,546	133.04	11,771	165.26	13,038	145.67

Note : As at March 2024

Source : CIDB Malaysia

### Contractor Registration

In 2023, the number of contractors registered slightly increased by 0.9% to 132,272 (2022: 131,094 contractors). These contractors were categorised by grade, from Grade 1 (G1) to Grade 7 (G7). Grade G1 to G3 contractors forms the largest portion of contractors at 81.1% (107,272 contractors). Grade G4 and G5 contractors accounted for 10.0% (13,215 contractors), while grade G6 and G7 contractors comprise 8.9% (11,785 contractors) of the total registered contractors. International contractors constitute a small proportion of around 608 companies.

Table 4 Contractors Registered by Registration Grade

Grade	Bidding Limit	2020	2021	2022	2023
G1	Not exceeding RM200,000	58,665	61,709	65,939	66,066
G2	Not exceeding RM500,000	24,265	23,566	24,004	23,241
G3	Not exceeding RM1 million	17,346	17,664	18,172	17,965
G4	Not exceeding RM3 million	5,353	5,289	5,450	5,624
G5	Not exceeding RM5 million	6,471	6,491	6,655	7,591
G6	Not exceeding RM10 million	2,067	1,989	1,967	1,946
G7	Unlimited	8,901	8,776	8,907	9,839
Total		123,068	125,484	131,094	132,272

Note : As at March 2024

Source : CIDB Malaysia

## Construction Labour Market

Total number of labour in the construction sector had a slight increase of 1.2% to 1.40 million people (2022: 1.39 million people).

Table 6 Labour Market in Construction Sector

	2020	2021	2022	2023
Number of employee ('000 persons)	1,404	1,386	1,387	1,403
% from total employee	8.8	8.9	8.7	8.6

Source: Central Bank of Malaysia

## Construction Productivity

Labour productivity measures economic output per unit of labour. Malaysia's labour productivity per employment increased 1.1% to RM96,692 (2022: 5.5%; RM95,628 per person). Compared to other economic sectors, the construction sector registered the lowest level of productivity. The construction sector productivity per employment recorded

positive momentum than previous year with 5.0% growth to RM40,574 billion (2022: 5.2%; RM38,658). Nevertheless, construction sector plays a key role in the economy through its multiplier effect on other industries.

Table 7 Labour Productivity Performance

Main Economic Sector	RM			
	2020	2021	2022	2023
Agriculture	53,235	52,786	53,240	53,263
Mining and Quarrying	1,238,787	1,242,406	1,267,278	1,274,288
Manufacturing	120,726	84,716	133,902	131,115
Construction	38,172	36,669	38,658	40,574
Services	84,266	84,716	90,251	92,251
Labour Productivity	88,899	90,647	95,628	96,692

Source: Labour Productivity, Department of Statistics Malaysia

## Construction Cost

### Average Price of Major Construction Building Material

In general, almost all major building materials price recorded an increase in 2023 except steel reinforcement and glass. The prices of paint recorded the highest increase at 30.2%, followed by cement (21.2%) and bricks (20.5%). The prices of ready-mixed concrete, sand and aggregate increased between 6.5% to 16.3%. In contrary, price of steel reinforcement decreased by 4.8%. Glass showed no fluctuation in price.

Table 8 Average Prices of Major Construction Building Materials

Material	Unit	RM			
		2020	2021	2022	2023
Steel Reinforcement	tonne	2,388.30	3,129.70	3,485.40	3,318.10
Bricks	piece	0.43	0.42	0.44	0.53
Aggregate	tonne	37.80	39.70	41.70	44.40
Sand	tonne	40.40	42.15	43.30	47.70
Cement	50kg bag	17.90	16.70	18.90	22.90
Ready-mixed Concrete	m <sup>3</sup>	257.90	257.70	278.10	323.40
Paint	litre	127.40	127.40	127.40	165.90
Glass	m <sup>2</sup>	65.00	96.90	97.50	97.50

Source : CIDB Malaysia

#### Construction Industry Wage Rates

#### **Construction Personnel Wage Rates**

Average daily wage rates for skilled construction personnel recorded an increase between 6.8% to 24.7%. Concretor had the highest wage increase at 24.7% followed by General Construction Worker – Building at 23.6%. In contrary, Electrical Wireman PW2 and PW2 recorded a decrease in monthly salary by -4.3% and -3.8% respectively. Plumber - Reticulation (RM144.00 per day) and Steel Structure Fabricator (RM144.50 per day) were the highest earners.

Table 9 Average Daily Wage Rate for Construction Personnel

Worker Category	RM per day	
	Skilled	
	2022	2023
General Construction Worker - Building	84.70	104.70
Concretor	114.60	142.90
Barbender	123.00	140.80

Worker Category	RM per day	
	Skilled	
	2022	2023
General Construction Worker - Building	84.70	104.70
Carpenter-Formwork	125.40	139.10
Bricklayer	115.80	140.90
Roofer	128.00	138.90
Carpenter – Joinery	130.90	140.20
Steel Structure Fabricator	132.70	142.50
General Welder	127.60	136.60
Plumber - Building & Sanitary	126.70	139.65
Plumber – Reticulation	134.80	144.00
Electrical Wireman PW2 (RM Monthly)	2,958.40	2,831.90
Electrical Wireman PW4 (RM Monthly)	3,664.30	3,524.70
Scaffolder – Prefabricated	122.00	134.25
Scaffolder – Tubular	125.15	139.50
Plasterer	121.00	141.95
Tiller	129.20	144.50
Painter – Building	114.60	130.40
General Construction Worker - Civil	97.10	105.90

Source : CIDB Malaysia

### Construction Machine Operator Wage Rates

The average wage rates of skilled machine operator have shown a fluctuating trend, with an increase observed in 4 trades (Off Road Truck Operator, Backhoe Loader Operator, Roller Operator and Roller/Compactor) between 0.5% to 1.4%. The other trades recorded a decrease between -0.1% to -2.9%. The highest wage earners were tower crane operators (RM138.60 per day) and crawler crane operators (RM132.15 per day).

Table 10 Average Daily Wage Rates for Local Construction Machinery Operator

Category of Operator	RM per day	
	Skilled	
	2022	2023
Excavator	119.80	119.70
Pile Riggers	115.88	115.90
Off Road Truck Operators	109.31	109.90
Backhoe Loader Operators	113.39	114.00
Roller Operators	110.76	112.30
Roller/Compactor	113.19	114.75
Scraper Operators	115.21	114.80
Motor Grader Operators	115.02	114.10
Wheel Loader Operators	112.72	112.10
Paver Operators	118.00	117.80
Mobile Crane Operators	134.09	131.70
Crawler Crane Operators	134.87	132.15
Tower Crane Operators	142.84	138.60
Forklift Truck Operators	109.19	108.90
Slinger/Dogger Operators	110.76	110.80

Source : CIDB Malaysia

### Industrialised Building Installer (IBS) Installer Wage Rates

IBS installers comprises of local Malaysian workers. Average daily wage rates for IBS installer registered a decline between -0.2% and -0.9%. The highest wages were earned by skilled IBS precast concrete installer (RM167.30 per day) and IBS lightweight panel installers (RM158.80 per day).

Table 11 Average Daily Wage Rate for Local IBS Installer

Category of IBS Installer	RM per day	
	Skilled	
	2022	2023
IBS Precast Concrete Installers	167.70	167.30
IBS Lightweight Panel Installers	159.40	158.80
Lightweight Block Wall Installers	144.70	144.40
System Formwork Installers	145.20	143.90
Roof Truss Installers (wood)	144.65	143.75
Roof Truss Installers (light steel gauge)	147.50	147.10

Source : CIDB Malaysia

### Export and Import of Construction Services

Based on Malaysia's balance of payment statement, the value of projects awarded to the international contractor (imports) increased by 63.2% to RM7.8 billion in 2023 (2022: RM4.8 billion). The involvement of Malaysian construction companies in international countries (exports) increased by 47.7% to RM9.0 billion (2022: RM6.1 billion). This shows a surplus in construction services, which narrowed to RM1.1 billion in 2023 (2022: RM1.3 billion).

Among the biggest projects undertaken by Malaysian companies were the energy power plant in Brazil; Power Plant project located at Song Hau Power Generation Centre, Hau Giang Province, Vietnam; and mixed development building in United Arab Emirates.

Comparatively, in 2023 a large number of construction projects in the Malaysia domestic market were secured by contractors from Singapore, China and Japan. They were mainly geared towards factory, residential and commercial projects. Other international contractors were from United Kingdom and Denmark.

Table 12 Export and Import of Construction Services

	2020	2021	2022	2023
Export of Construction (RM million)	3,241	3,919	6,063	8,958
% <i>Export Change</i>	22.0%	20.9%	54.7%	47.7%
Import of Construction (RM million)	3,823	4,420	4,774	7,792
% <i>Import Change</i>	-31.5%	15.6%	8.0%	63.2%
Net Trade: Export-Import(RM million)	-582	-501	1,289	1,166

Source : Balance of Payment, Department of Statistics Malaysia

The exports and imports of architectural, engineering and other technical services have shown an increased in 2023. The exports increased by 6% to RM6.4 billion (2022:16%, RM6.1 billion) but on the other hand, imports of technical professional increased by 12% to RM10.2 billion in 2023 (2022: 26%, RM9.1 billion). This indicates that although exports of architectural, engineering and other technical services increased, imports of architectural, engineering and other technical services grew at a higher percentage, leading to a larger net trade deficit.

Table 13 Export and Import of Other Business Services

	2020	2021	2022	2023
Export of Architectural, engineering and other technical (RM million)	5,393	5,199	6,052	6,411
% <i>Export Change</i>	-20%	-4%	16%	6%
Import of Architectural, engineering and other technical (RM million)	6,331	7,227	9,118	10,211
% <i>Import Change</i>	-15%	14%	26%	12%
<i>Net trade: Export-Import</i> (RM million)	-938	-2,028	-3,066	-3,800

Source : Balance of Payment, Department of Statistics Malaysia

## **CONSTRUCTION INDUSTRY OUTLOOK FOR 2024**

The Malaysian economy is projected to grow between 4% - 5% in 2024. Growth will be driven mainly by resilient domestic expenditure, with additional support emanating from the expected recovery in exports. Most economic sectors are projected to register positive growth in 2024 except for agriculture sector a bit contracted. The construction sector will expect higher growth with civil engineering, special trade and residential subsectors. This will be supported by new and ongoing large infrastructure and small-scale projects under the Budget 2024, New Industrial Master Plan (NIMP) 2030 and National Energy Transition Roadmap (NETR). Meanwhile, growth in residential subsector will be driven by new housing launches amid further improvement in housing demand.