



belgian  
foreign trade agency



Construction Sector In

# MALAYSIA

This publication is also available on the website of the Belgian Foreign Trade Agency: [www.abh-ace.be](http://www.abh-ace.be)

## TABLE OF CONTENTS

<b>1. Sector Overview and Outlook .....</b>	<b>2</b>
1.1 Overview .....	2
1.2 Outlook .....	5
<b>2. Government Initiatives.....</b>	<b>5</b>
2.1 Government Agencies.....	5
2.2 Policies .....	6
2.3 Public Expenditure .....	6
2.4 Public - Private Partnerships .....	7
2.5 Green Construction.....	7
<b>3. Construction Sub-Sectors.....</b>	<b>8</b>
3.1 Residential Sub-Sector .....	8
3.2 Non-residential Sub-Sector .....	9
3.3 Infrastructure Sub-Sector .....	10
<b>4. Construction Contracts &amp; Contractors.....</b>	<b>11</b>
<b>5. Major Industry Players .....</b>	<b>12</b>

The Malaysian construction industry is generally classified into residential construction, non-residential construction, and civil engineering construction or infrastructure.

The Malaysian construction market is highly competitive, with most of the leading players (contractors, architects, and building material suppliers) located in and around Klang Valley. The market is led by public-listed and local contractors and developers, while foreign participation is particularly encouraged in areas involving green building, smart building and energy efficient building.

## 1. SECTOR OVERVIEW AND OUTLOOK

### 1.1 OVERVIEW

The Malaysian construction sector directly contributed to RM 41,28 billion (€9,53 bn) to Malaysia's Gross Domestic Product as of 2013, accounting for 4,2% of its GDP with an expansion of 12,9% over previous year.<sup>1</sup> It provides more than 800.000 job opportunities and makes up an important part of the Malaysian economy due to the interaction with other industry branches such as the metals processing industry and the mechanical engineering or the tourism sector, representing a substantial economic driver for Malaysia. The table below shows Malaysian construction sector's development compared to some other major economic sectors:

**GDP by Kind of Economic Activity at Current Prices, 2011 – 2014 up to March**

	Percentage Change from Corresponding Period of Preceding Year				Percentage Share to GDP			
	2011	2012	2013	2014 up to March	2011	2012	2013	2014 up to March
<b>Agriculture</b>	26,3	-9,3	-2,9	12,3	11,8	10,0	9,3	9,2
<b>Mining and Quarrying</b>	6,7	5,4	1,6	9,0	10,4	10,3	10,0	11,0
<b>Manufacturing</b>	10,0	6,1	3,4	9,8	24,3	24,2	23,9	23,6
<b>Construction</b>	9,6	23,4	12,9	20,4	3,3	3,9	4,2	4,5
<b>Services</b>	9,4	9,1	6,9	8,8	49,2	50,4	51,5	50,7

Source: Department of Statistics and Ministry of Finance Malaysia

<sup>1</sup> Source : Department of Statistics, Malaysia

The industry growth in 2013 was in particular driven by expansion in residential subsector (29,7%), and supported by growth in civil engineering subsector due to the continued implementation of large transport-related infrastructure as well as oil and gas projects.

The construction sector was further sustained by strong momentum in related services sub-sectors, which have witnessed significant investment inflows, particularly, real estate sector with 318,130 transactions for the year 2013, an increase of 6,7% in value at RM 152,37 billion (€35,19 bn) and a contraction of 10,9% in volume compared to 2012.<sup>2</sup>

### Breakdown of Investment in Construction Related Services Sub-Sectors in 2012 and 2013 up to September:

Sub-Sectors	Total Investment (RM million)		Foreign Investment (RM million)	
	2013 up to September	2012	2013 up to September	2012
Real Estate	83.314,2	58.776,7	2.187	1.325,2
Transport	7.887,8	8.730,4	908,3	231,5
Hotel & Tourism	7.025,6	8.890,5	825,4	320,6
Utilities	9.063,3	12.566	0	0

Source: Malaysia Investment Development Authority

<sup>2</sup> Source : REHDA Bulletin May 2014, Real Estate and Housing Developers Association Malaysia

On the other hand, the health of Malaysian construction sector can be shown via “construction sector indicators” published by Bank Negara Malaysia, the Central Bank of Malaysia:

Construction Sector Indicators		2011	Annual Percentage Change 2011	2012	Annual Percentage Change 2012	2013	Annual Percentage Change 2013	2014 up to March
Developer's licenses, housing sales and advertising permits (number)	New	1.240 (excluding developer's licenses)	16,1%	2.822		1.555	-44,9%	282
	Renewal	1.482 (excluding developer's licenses)	-2,4%	2.220		2.105	-5,2%	417
Housing approvals (number)		159.653	32,2%	235.249	47,4%	177.568	-24,5%	24.493
Production of other articles of concrete, cement and plaster (index)		97	6,5%	141	45,4%	148,6	5,4%	179,5
Production of basic iron and steel products (index)		106	5,4%	97,8	-7,7%	102,7	5,0%	96,4
Production of construction related products (index)		132	13%	105,6	-20%	106,9	1,2%	104,3
Loans approved for construction (RM million)		32.168	26%	26.307	-18,2%	23.532	-10,5%	3.853
Outstanding loans to the construction sector (RM million)		40.284	4,8%	44.503	10,5%	49.825	12%	51.458
Malaysian House Price Index		154,6	9,9%	172,8	11,8%	192,9	11,6%	199,7
Imports of construction material & mineral products (RM million)		4.942	13,9%	4.909	-0,7%	4.979	1,4%	1.203

Source: Bank Negara Malaysia

## 1.2 OUTLOOK

The construction industry output is expected to record a Compound Annual Growth Rate of 11,48% from 2013 to 2017, supported by the country's expanding economy and increased government spending on public infrastructure, says Trimetric, a consultancy.

For the year 2014, some of the related key economic indicators can signify an upward construction sector development:

- A 6,2% economy growth rate during the first quarter of 2014 (Q4 2013: 5,1%);
- A 7,4% of increase in domestic demand in the first quarter of 2014 led by the expansion in consumption and private investment (Q4 2013: 6,7%);
- A public consumption growth rate of 11,2% in the first quarter of 2014 (Q4 2013: 5,2%).<sup>3</sup>

Some other factors, such as changing demographics (an annual population growth rate of about 2%), migration (under the Malaysia My Second Home Program) as well as socioeconomic growth, are also generating the construction market expansion.

## 2. GOVERNMENT INITIATIVES

### 2.1 GOVERNMENT AGENCIES

The government is an important player in the industry through following agencies:

- The Ministry of Works
- The Public Works Department
- The Construction Industry Development Board
- The Contractor Service Centre
- The Board of Engineers
- The Board of Architect
- The Board of Surveyors

Particularly, the Construction Industry Development Board (CIDB), being a statutory board under the Ministry of Works, was set up in 1994 by the government with the aim of promoting the development of the Malaysian construction industry and helps to modernize it.

The CIDB is responsible for making recommendations to government on matters related to construction industry and manages the important parts of the industry including registration of contractors<sup>4</sup>, helping advance the knowledge base of the industry, training, safety and education.

---

<sup>3</sup> Source : *Economic Data First Quarter 2014*, Ministry of Finance Malaysia

<sup>4</sup> Cfr. 4

## 2.2 POLICIES

Malaysian government has launched an array of supportive initiatives aimed at reviving the economy, such as:

- The Tenth Malaysia Plan (2011-2015): focuses on shifting Malaysia to a high income nation by 2020 with an annual growth of at least 6%.
- Economic Transformation Program: it has identified 12 National Key Economic Areas (NKEAs) that are to be prioritized including 'Greater Kuala Lumpur' and 'healthcare' which involve numerous infrastructure development projects. Specifically, the 'Greater Kuala Lumpur' NKEA includes a move for green townships and building as well as development along the Klang River in Kuala Lumpur.
- The Government Transformation Program (GTP): the six key initiatives of the GTP comprise 'improving rural basic infrastructure' and 'improving urban public transport'.
- Five Regional Economic Corridors of Malaysia (Iskandar Malaysia, Northern Corridor Economic Region, East Coast Economic Region, Sarawak Corridor Renewable Energy, Sabah Development Corridor): the development of five economic corridors will inevitably give rise to a multitude of construction projects.
- Liberalization of the economy: the Malaysian government has liberalized the economy since 2009 with a view to attract foreign investment.

## 2.3 PUBLIC EXPENDITURE

Under the 10th Malaysian Plan, RM230 billion (€53,1 bn) development allocations and RM20 billion (€4,6 bn) facilitation funds have been announced to "create a strong demand for the construction industry", as 60% of the development allocations, or RM138 billion (€31,84 bn), is dedicated to physical development, while the RM20 billion (€4,6 bn) facilitation fund is aimed to attract private sectors investment in the industry<sup>5</sup>.

For fiscal year 2014, a total of RM46,5 billion (€10,73 bn) federal government development expenditure has been set aside, from which the housing sector will benefit 2,4%, transport sector 19,6%, and public utilities 7,7%.

---

<sup>5</sup> Source : UK Trade & Investment

## 2.4 PUBLIC - PRIVATE PARTNERSHIPS

As an initiative to strengthen the private sector investment in the industry, there are 52 high impact projects in 10th Malaysia Plan (2011-2015) announced in 2010 with a value of RM63 billion (€14,55 bn) was identified to be implemented under Public-Private Partnership agreements. Some of the programmed projects involve toll highways, coal fired power plants, rail projects, airport expansion, public housing, development of the Malaysian Rubber Board land, erection of hospitals and university campuses, upgrading of rural infrastructure, development of integrated transport terminal as well as five economic corridors.<sup>6</sup>

Between 2010 and 2013, the Public-Private Partnership Unit in the Prime Minister's Department had approved 137 projects and mobilized RM115 billion (€26,53 bn) in private sector investments. For the year 2014, the Government has allocated up to RM2,7 billion (€623 million) under the facilitation fund for public-private partnerships (PPP) projects.<sup>7</sup>

## 2.5 GREEN CONSTRUCTION

The Malaysian government launched the 'Green Buildings Mission Campaign' with key government funding of approximately RM 1,5 billion (€346,1 million) and tax incentive have been allocated for developing green technology and promoting the construction opportunities for 2011-2015.

---

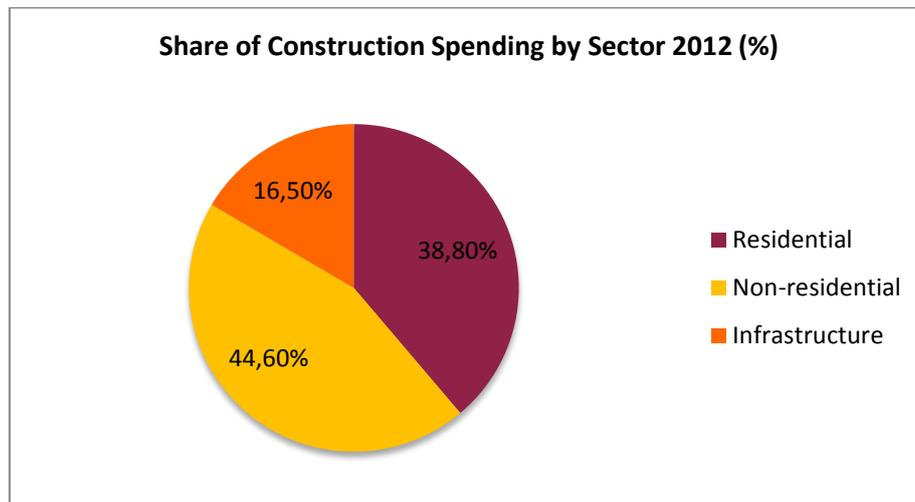
<sup>6</sup> Source : Prime Minister's Department 2010

<sup>7</sup> Source : <http://www.thestar.com.my/>

### 3. CONSTRUCTION SUB-SECTORS

Malaysian construction sector can roughly be segmented into residential, non-residential and infrastructure sub-sectors. The spending (public and private) on construction in Malaysia was US\$17,6 billion (€12,94 bn) as of 2012 and is expected to grow by 4,5% per annum from 2013 to 2018.<sup>8</sup>

Non-residential sector accounts for 44,6% of construction sector spending, trailed by residential developments (38,8%) and infrastructure sector (16,5%) as at the end of 2012.



*Source: HIS Global Insight*

However, over the longer term, infrastructure is forecast to see the fastest growth in construction spending at 5% per annum, closely followed by residential construction at 4,7%, while non-residential sub-sector is forecast to see a 4% rise pa.

#### 3.1 RESIDENTIAL SUB-SECTOR

In 2014 Federal Government Development Expenditure, RM1.047 million (€241,6 million) (2,4% of total expenditure) has been allocated to housing program, a significant rise over 2013's RM643 million (€148,4 million) (1,4% of total expenditure).<sup>9</sup>

According to the Real Estate and Housing Developers Association of Malaysia, the residential sub-sector retained the biggest share in the property market activities at 64% of the total share, with 246.225 residential property transactions worth RM72,06 billion (€16,63 bn) as of 2013.

In terms of regional market share, Selangor contributed 26,1% of the national residential transactions, trailed by Johor at 13,7%, Perak 11,4%, Pulau Pinang 7,2% and Kedah 6,0%.

<sup>8</sup> Source : *Asia Construction Outlook 2013*, AECOM

<sup>9</sup> Source : Ministry of Finance Malaysia

As for market segments by price in 2013, transactions of houses within the price range of RM100.000 to RM200.000 declined by 26,6% and 17,9% over 2012, while transactions of houses in the price bracket of RM250.000 to RM250.000 increased by 7,3%. Market activities for middle-end house transactions were the most dynamic. Transactions for houses priced between RM250.000 and RM500.000 amounted to 27,30% of total amount. Moreover, for the past four consecutive years, the demand for high-end units priced above RM500.000 has been on the rise, contributing to 12,9% of total residential transactions in 2013.

As at year end 2013, there were 4,72 million existing residential units, another 696.557 units in the coming supply and 615.815 units in the planned supply categories.

### 3.2 NON-RESIDENTIAL SUB-SECTOR

Non-residential sector comprises of commercial properties, shopping complex, purpose-built offices, industrial properties as well as leisure properties.

- There was 20.185 **shops** transactions worth RM14,11 billion (€3,26 bn) in 2013, an increase by 3,2% in value and a decrease by 9,8% in volume as compared to 2012.<sup>10</sup>
- 20 new **shopping complexes** were completed in 2013, making Malaysia's total retail space 12,39 million square meter as at the end of 2013, among which 2,53 million square meter was available. Another 457,440 square meter of retail space is being planned while 1,25 million square meter is at various construction stages.<sup>11</sup>
- As for **purpose-built office**, the year 2013 saw 29 transactions worth RM1,27 billion (€293 million) against 24 transactions in 2012.<sup>12</sup>
- Concerning **industrial property** sub-sector, it contributed to a meagre 2,2% in volume and 8,1% in value to total property market in 2013.<sup>13</sup>
- Construction of **leisure properties** improved further in line with the growth of the tourism sector. A total of 2.003 transactions were recorded involving hotels worth RM1,95 billion (€450 million) and 22 transactions of leisure property worth RM18,17 million (€4,2 million) as of 2013.<sup>14</sup>

---

<sup>10</sup> Source : *Bulletin May 2014*, Real Estate and Housing Developers Association Malaysia

<sup>11</sup> Ibid

<sup>12</sup> Ibid

<sup>13</sup> Ibid

<sup>14</sup> Ibid

In addition, travel and tourism investment in Malaysia was RM20,7 billion (€4,78 bn), or 7,7% of total investment as of 2013, which is estimated to rise by 5,1% in 2014 and by 5,7% per annum over the next ten years to RM37,7 billion (€8,7 bn) in 2024 (9% of total).<sup>15</sup>

In particular, tourism was identified as one of the 12 National Key Economic Areas under the Economic Transformation Program. Likewise, Malaysia Tourism Transformation Plan targets to attract 36 million tourists and to achieve RM168 billion in receipts by 2020, resulting in numerous efforts aimed at bringing more 4-star and 5-star hotels to be developed in Malaysia.

### 3.3 INFRASTRUCTURE SUB-SECTOR

The Malaysian infrastructure industry could be broken down to social infrastructure and government initiatives.

Social infrastructure refers to public purpose developments such as schools, hospitals, stadiums, sporting facilities and public libraries. A lot of interests have been placed on healthcare and wellness sectors in Malaysia.

On one hand, the healthcare sector has been identified as one of Malaysia's National Key Economic Areas and is expected to register a Compound Annual Growth Rate of 14,5% from 2011 to 2020, says Frost & Sullivan, a consultancy. Specifically, under the 10th Malaysia Plan, the government has set out to develop 197 new clinics, incorporating 156 clinics in rural areas, 41 health community clinics, four new hospitals as well as four replacement hospitals<sup>16</sup>. In addition, there will be a strong demand in the aged care facilities market, whose total development is estimated to cost €829,1 million between 2010 and 2020<sup>17</sup>.

On the other hand, government initiative refers to public-sector led large-scale projects that include industrial zones, city or township developments, industry development schemes and especially the establishment of economic corridors, generating various high impact infrastructure construction projects, such as:

- Kuala Lumpur International Financial District initiated in 2010 and valued at RM 26 billion (€6,5 billion), it is dedicated to strengthen the country's position in the financial services sector.
- RM5.04bn West Coast Expressway (WCE) project announced in May 2014, for which the main EPC<sup>18</sup> contractor appointed by the government is a consortium consisting of IJM and KEB<sup>19</sup>.

<sup>15</sup> Source : *Travel & Tourism, Economic Impact 2014, Malaysia*, World Travel & Tourism Council

<sup>16</sup> Source : The Economic Planning Unit, Malaysia

<sup>17</sup> Source : [www.austrade.gov.au](http://www.austrade.gov.au)

<sup>18</sup> EPC : Engineering, Procurement, Construction

<sup>19</sup> Two key Malaysian construction players

- A third line for the Light Rapid Transit (LRT) system in Kuala Lumpur, whose feasibility study was completed by national infrastructure company Syarikat Prasarana Negara in May 2014, it is expected to be about 36km long and to cost around RM9bn (€2,08 bn) to construct.

#### 4. CONSTRUCTION CONTRACTS & CONTRACTORS

It is mandatory for all construction companies in Malaysia, regardless of whether they are local or foreign contractor to register with the Construction Industry Development Board (CIDB) before they undertake any construction works.

There are 9 specified registration grades as set out below and a contractor is not entitled to undertake any construction project exceeding the value of the construction works specified in the registration grade.

Grade Tendering Capacity:

- G1: RM 0 – RM 200.000
- G2: RM 200.000 – RM 500.000
- G3: RM 500.000 – RM 1.500.000
- G4: RM 1.500.000 – RM 3.000.000
- G5: RM 3.000.000 – RM 5.000.000
- G6: RM 5.000.000 – RM 10.000.000
- G7: RM 10.000.000 – RM 30.000.000
- G8: RM 30.000.000 – RM 100.000.000
- G9: RM 130.000.000 – No limit

Based on contractors registration records up to July 2014, a total of 72.690 contractors were registered with the CIDB and the registered works amount to 116.972.

#### Number of Registered Contractors and Works by Grading as at July 4th 2014

Contractor Designation	Grading	Number of Registered Contractors	Number of Registered Works (Contracts)
<b>G9</b>		84	171
<b>G8</b>		226	361
<b>G7</b>		600	973
<b>G6</b>		1.324	2196
<b>G5</b>		1.313	2569
<b>G4</b>		1.693	2790
<b>G3</b>		1.192	2142
<b>G2</b>		3.264	6122
<b>G1</b>		62.994	99648
<b>Total</b>		72.690	116.972

Source: Construction Industry Development Board

The overwhelming majority of contractors registered in Malaysia are G1 contractors. Among the registered works, a total of 28.654, or 24,4%, are identified as 'civil engineering' (infrastructure) works, while 54.509 works are categorized into 'general building', accounting for 46,6% of total works.

## 5. MAJOR INDUSTRY PLAYERS

- **YTL Corporation Berhad:** founded in 1955, is a Malaysian infrastructure conglomerate grown from a small construction firm into an international utilities company, with major business ranging from utilities, construction, high speed rail, property to hotels & resorts.
- **IJM Corporation Berhad:** created in 1983, IJM's core business activities, both local and overseas, encompass construction, property development, manufacturing and quarrying, infrastructure concessions, and plantations.
- **Gamuda Berhad:** set up in 1976, it focuses on three areas - engineering and construction, infrastructure concessions, and property development. The group's main projects range from the construction of Mass Rapid Transit, highways, airport runways, railways, tunnels, water treatment plants and dams, to infrastructure concessions and the development of new townships
- **Muhibbah Engineering (M) Bhd:** is engaged in infrastructure and building works, airport and airline support facilities, oil & gas, marine and port construction, crane, shipbuilding, fabrication works as well as concession. Its construction projects include highways, bridges, irrigation & drainage works, hydroelectric projects, as well as government apartments and office complex.
- **Zelan Berhad:** its core business activities encompass engineering & construction, and property & development. Zelan Group has participated in the construction of 14 power plants in Malaysia, of airports, hangars, highways and interchanges as well as commercial and industrial buildings and infrastructures. One of its projects is the Concession Agreement for the Gombak Integrated Transport Terminal (GITT) in Selangor that is signed between the Government of Malaysia and Terminal Bersepadu Gombak Sdn Bhd (a 95% owned subsidiary company of ZELAN) in March 2012 by way of PPP.
- **Malaysian Resources Corporation Berhad:** MRCB specializes in property, engineering and construction (covering high rise buildings, hospitals, airports, retail centres, colleges, road, civil & infrastructure works, residential development, energy - power network transmission), concessions, as well as environmental business.

- **WCT Berhad:** WCT's operations focus on three segments: civil engineering and construction (encompassing F1 racing circuits, airports, iconic infrastructure, dams and water supply schemes, expressways & highways, interior fit-out works), residential and commercial property development, and property investment. The company's most notable achievements include being appointed as the main sub-contractor for both the Kuala Lumpur International Airport and the Sepang F1 Circuit.
- **Eversendai Berhad:** established in 1982, its core business activities are nowadays segmented into structural steel, power plant construction, engineering, civil construction, general construction, as well as oil & gas, involving high rise buildings, industrial structures, stadiums, airports, bridges, shopping malls, community projects and retail centres. The Petronas Twin Towers in Malaysia is one of Eversendai's notable projects.
- **Hock Seng Lee Berhad:** founded in 1979, it is engaged in marine engineering and civil engineering as well as a construction contractor. The Company operates in two segments: Construction and Property development. Hock Seng Lee undertakes dredging, land reclamation and earthworks, road and bridge construction, coastal protection works, drainage, water reticulation and specialized tunneling, as well as other infrastructure and building works.



Source: BFTA Research



Belgian Foreign Trade Agency  
Rue Montoyer 3 - 1000 Brussel ■ Belgium  
+32 2 206 35 11 ■ [www.abh-ace.be](http://www.abh-ace.be)

Despite the fact that everything has been done to deliver accurate and up-to-date information, the Belgian Foreign Trade Agency and its partners (Brussels Invest & Export, Flanders Investment & Trade and Wallonia Foreign Trade & Investment Agency) cannot be held accountable for mistakes, omissions or deceitful declarations. They can also not be held responsible for the use or the interpretation of the information in this publication. This publication has not the intention to give advice. Reproduction is authorised, provided the source is acknowledged.

**Date of publication :** August 2014  
**Responsible editor :** Marc Bogaerts  
**Text writer :** Mao Yuling

Printed on  **FSC** &  **PEFC** paper.