

# Builders look forward to busy year

**HIGH IMPACT:** Infrastructure, 10th Malaysia Plan, ETP projects to contribute to construction sector's growth

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**T**HE domestic construction sector is expected to perform better this year with large infrastructure projects and housing construction activities expected to underpin growth.

Industry observers said builders would welcome the Year of the Dragon with open arms knowing that the sector is likely to perk up after the impending elections at the end of the first quarter of this year.

In the last budget announcement, the government has made known of its intention to boost the construction sector's growth by seven per cent to drive the national economy this year.

It is an ambitious target, especially when the Malaysian construction industry is set to grow by a bullish RM92 billion this year from RM85 billion last year.

Growth declined for the most part of 2011, expanding by only three per cent in the third quarter of as most large scale projects mooted by the government were deferred.

"This (the slowdown in 2011) is attributable to the slower-than-expected rollout of projects. New domestic contracts in the first nine months of 2011 only amounted to RM49.4 billion, which is only 58 per cent of 2010's full year total of RM85.2 billion and 2007 to 2010 average of RM84.7 billion," said Malaysian Rating Corp Bhd (MARC) vice president of ratings Rajan Paramesran.

This, he said, was unlike 2010 which was boosted by the announcement on the Economic Transformation Programme (ETP) and led the construction sector to rebound to 5.6 per cent.

However, the industry is expected to see a fourth quarter boost in construction activities as seen in previous years to elevate the full-year industry growth to around four per cent in 2011.

Hence, economists believe that timely awards and implementation of projects as per the 10th Malaysia Plan (10MP) and the ETP from now will contribute positively to the growth in 2012 as the projects require gestation period in order to generate impact to the economy.

According to Rajan, various packages for the construction of the Greater KL Mass Rail Transit (MRT) line project that have already been tendered out will contribute to the construction sector's performance.

Tender for the largest package, the tunnel works, worth RM8 billion will close by this month and the award is expected to be finalised by middle of this year.

In addition, government funded rural infrastructure development



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projects, the KLIA 2 project, the Kuala Lumpur International Financial District, and development of he government's Sungai Buloh rubber land, and the Sungai Besi Kuala Lumpur Air Base will provide momentum to the sector, he added.

RAM Holdings Bhd group chief economist Yeah Kim Leng said although the Malaysian economy is expected to moderate this year because of the ongoing eurozone debt crisis, the construction industry is expected to remain well supported by continuing infrastructure-related and property development projects.

"Key pillars will continue to be construction projects earmarked under the five development corridors and the 12 National Key Economic Areas (NKEA), especially the various transportation infrastructure and property-related mega projects planned under the Greater Kuala Lumpur

NKEA," he said.

Yeah said the commencement of the mega MRT project and extension of light-rail transit (LRT) systems together with major investments in the oil and gas sector by Petronas, the national petroleum company, in Peninsular Malaysia, Sabah and Sarawak, are expected to boost construction order books.

Entry point projects such as the River of Life project and other iconic projects planned under the Greater Kuala Lumpur NKEA as well as large infrastructure and utilities projects such as the Gemas-Johor Baru electrified double-tracking project are expected to sustain the country's construction activities.

"Start-ups of affordable housing projects under the aegis of the government, continuing medium and high-end housing construction as well as commercial property development projects in the nation's capital as well as

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	2006	2007	2008	2009	2010
The country's GDP (%)	5.8	6.2	4.6	-1.7	7.2
Construction Sector Growth (%)	-0.3	4.7	2.1	5.8	5.2

development in Taiping in the Northern Corridor, agropolitan scheme in Besut in the East Coast Economic Region, palm oil industrial cluster project in Lahad Datu in Sabah Development Corridor, and Samalaju water supply in the Sarawak Corridor of Renewable Energy.

In the 10MP, the government allocated RM20 billion under the public-private partnerships (PPP) Facilitation Fund that provides a tipping point to assist the private sector develop projects with strategic value.

Of this total, RM18 billion is for high-impact projects, while the remaining RM2 billion is for projects involving bumiputera entrepreneurs.

This year, the government will allocate RM2.5 billion under the fund and an estimated RM300 million is for bumiputera entrepreneurs.

Rajan noted that the private sector will likely play a significant role in construction growth in 2012.

"Furthermore, the government has been emphasising private participation to drive the economic transformation agenda," he added.

A total of 52 projects worth RM62.7 billion have been identified under the new PPP initiative.

The PPP concept would include leases, joint ventures and sale of government land for development, and the normal build-operate-transfer mode.

Project bankability, he said, depends largely on the PPP terms as the private sector has to finance the construction or development and take on the project risks.

Among these PPP projects are seven tolled highways worth RM19 billion, comprising the West Coast Expressway, Guthrie Damansara Expressway, Sungai Juru Expressway and Paroi-Senawang-KLIA Expressway.

Also included are two coal electricity generating plants (RM7 billion) and 1,335 hectares of development in Sungai Buloh (RM10 billion).

However, while the government is banking on the momentum of private investment to enhance the economy in 2012, Rajan said, foreign direct investment (FDI) inflows may be susceptible to the challenging global economic conditions.

Yeah, meanwhile, said that given the one to two years gestation period for FDI projects, the strong pickup in inflows recorded over 2010 and 2011 will translate into start-up of construction activities this year, especially for greenfield projects involving construction of industrial buildings and facilities.

"For 2012, locally owned corporations such as UDA Holdings Bhd and Gamuda-MMC consortium are more likely to be the ones undertaking the major projects," he added.

in other major cities are anticipated to lend support to the moderately strong pace of construction industry growth anticipated this year," he added.

Apart from the Gemas-Johor Baru double tracking rail project, other new projects that will kick off this year include several highway projects to be implemented under the Second Rolling Plan (RP2).

Among the projects are the Lebuhraya Pantai Timur Jabor-Kuala Terengganu, Lebuhraya Pantai Barat Banting-Taiping, Lebuhraya Segamat-Tangkap and Lebuhraya Central Spine as well as the construction of Kota Marudu-Ranau road.

The RP2 is the government initiative under the 10th Malaysian Plan (10MP) to boost investment with an allocation of RM98.4 billion for 2012 and 2013.

According to Yeah, a further RM978 million would be allocated to accelerate the development in five regional corridors this year.

Among the projects to be implemented are the construction of Johor Baru-Nusa Jaya coastal highway in Iskandar, Johor, heritage tourism