

Positive
outlook for
construction
sector

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SECTOR OUTLOOK POSITIVE

'OVERWEIGHT' CALL KEPT ON CONSTRUCTION

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KUALA LUMPUR

RHB Research expects more infrastructure contracts this year, including the systems package and Segment 2 of the Penang LRT (Macallum-Penang Sentral), the Perak-Penang water transfer project and the Johor Baru Elevated Autonomous Rapid Transit.

"It would be ideal if Mass Rapid Transit 3 awards were announced in late 2026, but we expect this will likely happen in 2027 after the land acquisition process."

RHB Research maintained its "overweight" call on the construction sector, with Gamuda Bhd, Sunway Construction Group Bhd, and Kerjaya Prospek Group Bhd as its top picks.

The firm said that contract activity in Malaysia's construction sector is expected to remain stable this year, bolstered by the first year of the 13th Malaysia Plan (13MP), which allocates RM81 billion in gross development expenditure.

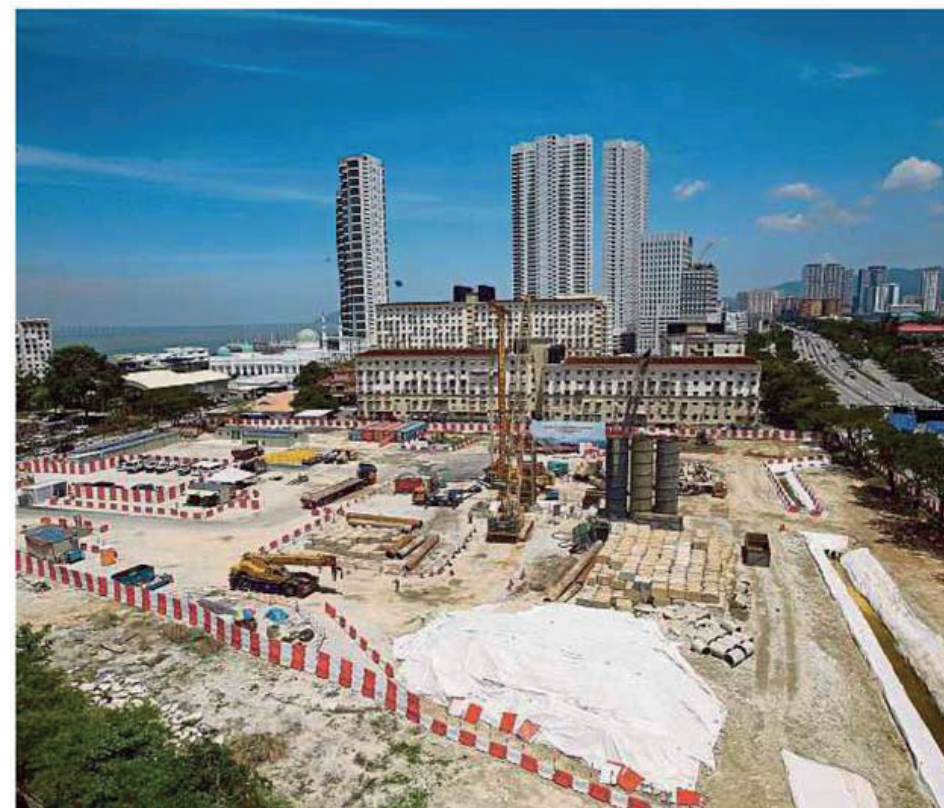
Data from the Construction Industry Development Board show that the value of contracts awarded in 2025 stood at RM202.5 billion, down from RM231.6 billion in 2024.

Government contracts awarded last year fell 22.5 per cent year-on-year, while private contracts dropped by nine per cent.

"This is not a major concern for the construction sector since 2024 was a high base. This was highest contract value awarded since the record high of RM241 billion in 2016.

"We expect 2026 to be a year of execution that trickles down to earnings delivery for most contractors in light of the contracts secured in 2025," said the firm.

The value of non-residential contracts awarded last year rose six per cent year-on-year to



More infrastructure contracts will be awarded this year, including the systems package and Segment 2 of the Penang LRT. NSTP FILE PIC

RM159.6 billion, up from RM151 billion the previous year.

This was likely driven by data centre job flows, RHB Research said.

"In 2025, major data centre contracts in the Klang Valley were awarded to builders such as Gamuda Bhd for Eco Business Park V and IJM Corp Bhd for

Elmina Business Park.

"We understand that there is one more work package that has yet to be awarded in Elmina Business Park 2, which could be worth RM2 billion based on our estimates.

"Additionally, we do not discount the possibility of data centre awards stemming from the

389-acre land owned by Pearl Computing Malaysia in Springhill, Negri Sembilan," it added.

Meanwhile, the value of infrastructure jobs awarded last year slipped 44 per cent YoY to RM24 billion from RM44 billion, which ties back to the decline in government contract awards.