

Contract flow in construction sector to remain steady: RHB IB

KUALA LUMPUR: Malaysia's construction sector is expected to see steady contract flow in 2026, the first year of the 13th Malaysia Plan (2026–2030), which allocates RM81 billion for development projects, slightly up from RM80 billion in 2025.

RHB Investment Bank Bhd (RHB IB) said 2026 would be a year of execution, with contract deliveries translating into earnings for contractors that secured deals last year.

Data from the Construction Industry Development Board showed the value of contracts awarded in 2025 fell to RM202.5 billion from RM231.6 billion in 2024, representing a 12.6% year-on-year decline.

"This is not a major concern for the construction sector, as 2024 was a high base – the highest contract value awarded since the record RM241 billion seen in 2016," the research house said.

By contract type, the value of government contracts awarded declined 22.5% year-on-year in 2025, while private-sector contracts fell by a smaller 9% over the same period, it added.

The value of infrastructure jobs awarded in 2025 decreased by 44% year-on-year to RM24 billion from RM44 billion, reflecting a 22% decline in government contract awards.

Nonetheless, RHB IB expects several infrastructure awards to be rolled out this year, including the systems package and Segment 2 of the Penang Light Rail Transit, the Perak–Penang water transfer project, and the Johor Bahru Elevated Autonomous Rapid Transit.

"The icing on the cake would be the debut of Mass Rapid Transit 3 awards in late 2026, although we expect this to more likely occur in 2027 following the land acquisition process," it said.

RHB IB maintained an overweight call on the sector, with Gamuda, Sunway Construction and Kerjaya Prospek among its top picks. – Bernama