

Value of building works done to rise 10%-15%

But growth likely to be impacted by 2018 due to slowdown

BY DANIAL IDRAKI

KUALA LUMPUR: The total value of construction works done in the country is expected to grow between 10% and 15% over the next two years, sustained by property projects launched in recent years. However, it may be impacted by the slowing property market by 2018, said analysts.

Tushar Mohata of Nomura Malaysia told *The Edge Financial Daily* that the 10% to 15% growth projection is a sustainable rate, given that growth has been moderating over the past five quarters.

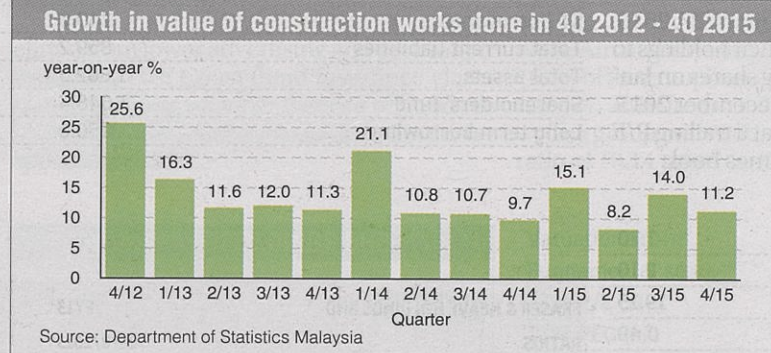
With the exception of the fourth quarter of 2012 (4Q12) and 1Q14, which grew at 25.6% and 21.1% respectively, the growth for construction works done has been hovering between 8% and 16% over the past four years, he said.

"In 2012, the growth was mainly due to the start of the mass rapid transit (MRT) constructions works, and to grow from that base will be difficult.

"At least for the next two years, it should be sustainable given that new projects awarded have been on the rising trend over the last three to four years, which will translate into higher volume [of construction works completed] in coming years," Tushar said.

However, he believes growth will likely be impacted beyond the next two years due to the slowdown in the property market. "As it is, we are already seeing a slowdown in property sales," he said.

In the latest quarterly tally for 4Q15, which was announced yesterday, the cumulative value of con-



struction works done grew 11.2% year-on-year to RM30.1 billion from RM27.1 billion in the previous corresponding period, according to a statement from the Department of Statistics Malaysia.

The 10,230 projects completed during the quarter were driven mainly by civil engineering activities at RM10.22 billion (33.9%), followed by non-residential buildings at RM9.72 billion (32.3%), residential buildings at RM8.76 billion (29.1%), and special trades sub-sector at RM1.43 billion (4.8%).

Tushar noted that the data released by the department included all construction works done. He said, however, that what matters to the market is new works awarded to listed companies.

"New projects awarded are a leading indicator for the market, while works done are a lagging indicator. The number of contractors in the country is large. So, from a market perspective, we look at actual works awarded to listed companies," he said.

Another analyst, meanwhile, said the 11.2% growth rate in 4Q15 corresponded with the country's

gross domestic product growth. However, he does not expect the civil and infrastructure construction industry to be exciting in 2016.

"The MRT Line 1 construction is coming to an end, and the light rail transit (LRT) extension is expected to be completed this year. While the MRT Line 2 project will be awarded this year, it will take some time to build up the momentum," said the analyst, who wished to remain anonymous.

In 4Q15, Johor recorded the highest value of construction works done at RM6.9 billion or 22.8% among the states. This was followed by Selangor with RM6.6 billion (22%), Wilayah Persekutuan with RM5.5 billion (18.2%), Sarawak with RM2.3 billion (7.8%) and Penang with RM1.5 billion (4.9%). Their contribution alone accounted for 75.7% of the country's total value of construction works done during the quarter.

In terms of value of construction works done in terms of project owners, the bulk of it or RM20.5 billion are privately-owned projects, with the remaining RM9.7 billion being public-sector projects.