

South-east Asia's roaring economies

MALAYSIA: INFRASTRUCTURE BOOM BOOSTS GDP



Cranes at the Forest City project in Johor. Malaysia's construction firms have seen great growth in the number of projects to execute, but there remains a concern over the glut in the property market. PHOTO: BLOOMBERG

Like its peers, Sunway Construction has a happy problem amid a boom in Malaysian infrastructure projects.

It won RM4 billion (S\$1.3 billion) in new deals in the last quarter, double its target, helped by a RM2.18 billion tender win to expand part of the Light Rail Transit line.

Sunway Construction's deputy managing director Liew Kok Wing told The Straits Times that the industry has so many projects to execute that competing firms are busy pinching talent from each other.

"You bump into the same faces when you move from (one project to another)", he said.



Full report can be attained from this link → <http://www.straitstimes.com/asia/south-east-asias-roaring-economies>

The service sector in South-east Asia's third-biggest economy is now worth more than half the economy, but construction firms have seen the biggest increase in order books, registering over 6 per cent growth in all quarters.

According to the Construction Industry Development Board, the sector is expected to grow by 8 per cent to RM170 billion this year. AmBank Research analyst Joshua Ng credited various government infrastructure projects for boosting the sector, saying "earnings prospects remain strong with most players sitting on record order books".

Malaysia is embarking on the third phase of its Mass Rapid Transit line that is expected to cost up to RM40 billion, even as the second phase is ongoing and it expands its Light Rail Transit line in the Klang Valley, in the districts that encompass Kuala Lumpur.

Malaysia's strong economic growth has forced analysts and the government to revise upwards their projections for this year and the next. Market predictions of gross domestic product (GDP) expanding around 4.5 per cent in the first three quarters of the year have been surpassed.

Growth accelerated instead from 5.6 per cent in the first three months of the year to 6.2 per cent in the July-to-September period.

The government now expects GDP growth of 5.2 per cent to 5.7 per cent this year, compared with a 4 per cent to 5 per cent projection made a year ago.

This is stronger than the 4.2 per cent growth last year. The economy is forecast by the government to grow 5 per cent to 5.5 per cent next year.

Maybank Investment Bank said the economy will be driven next year by an increase in both public and private spending, even as oil prices rise. The Finance Ministry has indicated it will deliver more cash handouts next year - an election year - should fuel prices remain high, thus boosting retail spending in the country.

One dark cloud on the horizon though is the glut in the property market, with the central bank saying oversupply has reached a 10-year high. The Association of Valuers, Property Managers, Estate Agents and Property Consultants in the Private Sector Malaysia has estimated that unsold property is now worth RM35.5 billion.