

# **COUNTRY REPORT MALAYSIA**

**for  
3<sup>rd</sup> Asian Forum**

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MALAYSIA**

# INTRODUCTION

- Barometer of economic growth
- Very important industry
- Providing Malaysian infrastructure
- Major Contributor to the Malaysian GDP
- Prospect

# AGENDA

- Challenges faced by the Malaysian Construction Industry
- Economics performance
- Prospect 2004 and beyond

# RESOURCES DRIVEN

- Man, Materials, Machine & Money
- Labour Dependent
  - ◆ Shortage
  - ◆ Unskilled
  - ◆ Low Productivity
  - ◆ Immobility

# Malaysian Sectoral Performance

GDP by Sector (in 1987 prices) 2001 – Third Quarter 2003

SECTOR	2001	2002				2003			
	%								
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3
Agriculture	1.8	-3.6	1.4	8.3	5.5	3.0	3.4	10.4	6.2
Mining	1.6	1.4	-1.6	7.9	7.1	3.7	4.5	11.1	-0.7
Manufacturing	-6.2	-2.3	5.5	7.3	5.7	4.0	5.9	6.5	8.5
Construction	2.3	2.9	3.4	2.6	0.5	2.3	1.2	1.4	2.4
Services	5.7	4.5	4.0	3.4	4.6	4.1	4.5	2.9	4.2
Real GDP	0.4	1.3	4.0	5.8	5.4	4.2	4.6	4.5	5.1

Note : Central Bank of Malaysia  
Malaysian Economic Report

# **GDP Contribution of the Construction Industry**

<b>Year</b>	<b>Contribution to GDP</b>
<b>1980 – 1984</b>	<b>5.04</b>
<b>1985 – 1989</b>	<b>3.76</b>
<b>1990 – 1994</b>	<b>3.76</b>
<b>1995 – 1999</b>	<b>4.30</b>
<b>2000 - 2002</b>	<b>3.33</b>
<b>Third Quarter 2003</b>	<b>3.23</b>

# Asian Financial Crisis 1997 - 1999

## ☑ 1997 – Depreciation of Ringgit

- ✦ Diminishing purchasing power
- ✦ Rising debt cost
- ✦ Erosion in wealth and income
- ✦ Rapid surge in non-performing loans
- ✦ Retrenchment activities
- ✦ Political anxiety
- ✦ Loss in confidence among foreign investors

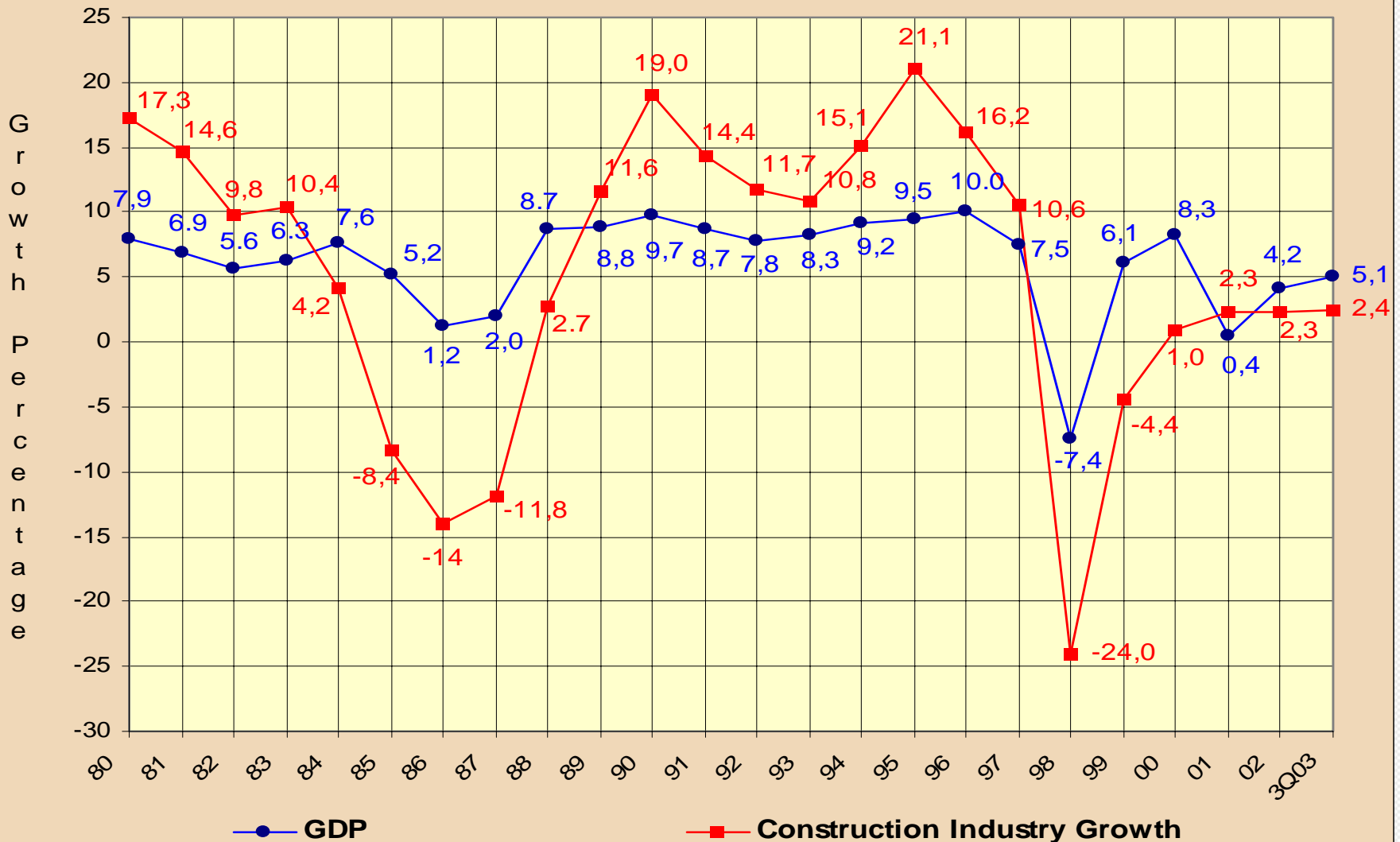
## ☑ 1998 – 1999 – Increasing of bad debts

- ✦ Financial problems
- ✦ Projects delayed or abandoned
- ✦ Deportation of foreign workers

# Post Asian Financial Crisis 2000 - 2002

- **Cheaper Ringgit**
  - ◆ Goods more competitive abroad
  - ◆ Fixed exchange rate
  - ◆ Lessened the risk for international trade
  - ◆ Facilitates transaction decision
  - ◆ Increased country's export

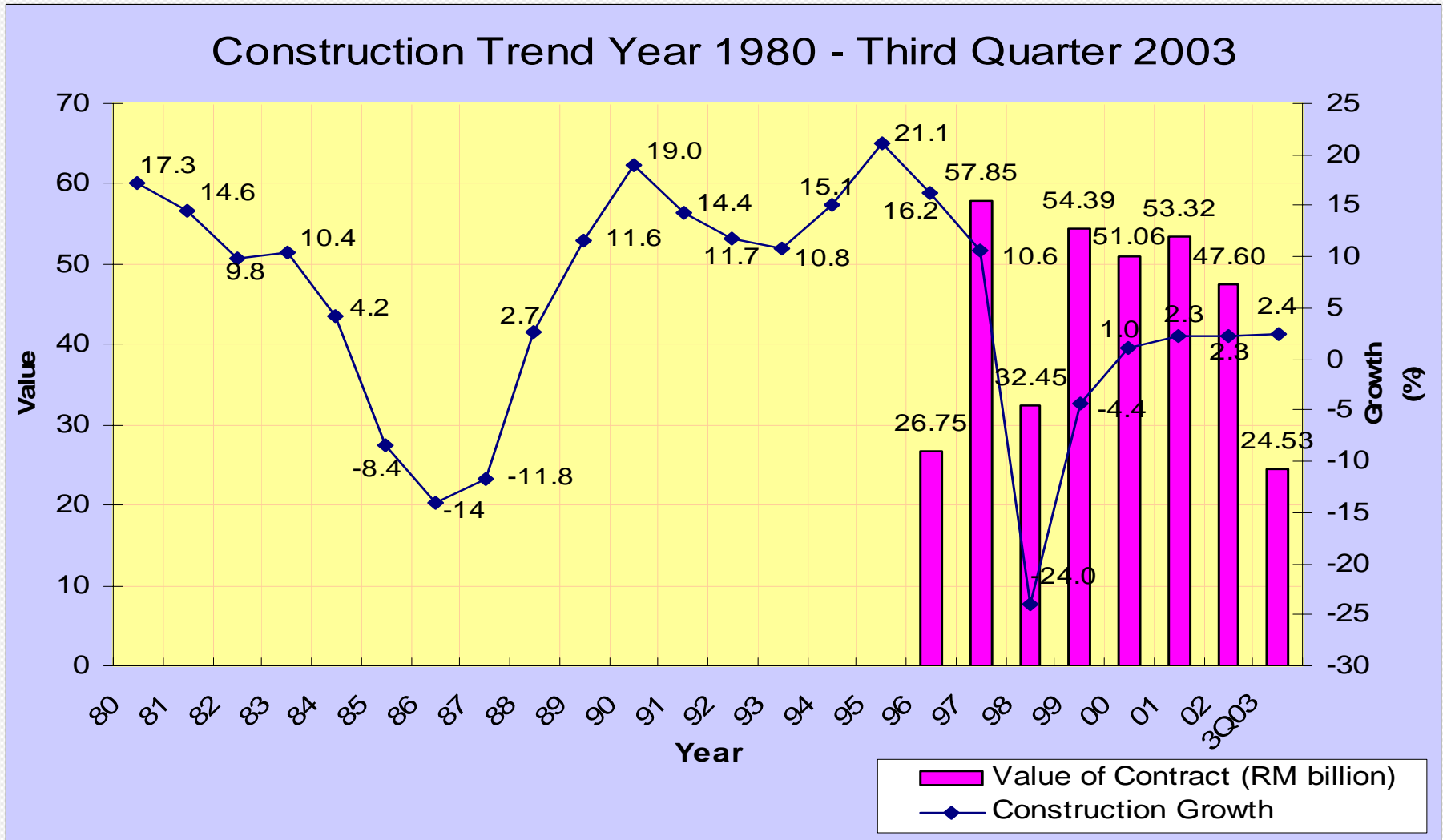
## Malaysia Economic Growth and Construction Trend for Year 1980 - Third Quarter 2003



# Trend of Construction Sector Growth

Year	Construction GDP (%)	Economic GDP (%)
1996	16.6	10.0
1997	10.6	7.5
1998	-24.0	-7.4
1999	-4.4	6.1
2000	1.0	8.3
<b>2001 Stimulus Packages (RM 7.3 billion)</b>		
2001	2.3	0.4
2002	2.3	4.2
<b>2003 New Stimulus Package (RM 7.3 billion)</b>		
1Q	1.2	4.6
2Q	1.4	4.5
3Q	2.4	5.1

# Construction Volume by Year



# GDP Growth by Sector (%)

Sector	2002			2003		
	3Q	4Q	Year	1Q	2Q	3Q
Agriculture	8.3	5.5	3.0	3.4	10.4	6.2
Mining	7.9	7.1	3.7	4.5	11.1	-0.7
Manufacturing	7.3	5.7	4.0	5.9	6.5	8.5
<b>Construction</b>	<b>2.6</b>	<b>0.5</b>	<b>2.3</b>	<b>1.2</b>	<b>1.4</b>	<b>2.4</b>
Services	3.4	4.6	4.1	4.5	2.9	4.2
<b>% GDP Growth</b>	<b>5.8</b>	<b>5.4</b>	<b>4.2</b>	<b>4.6</b>	<b>4.5</b>	<b>5.1</b>

Source : Central Bank of Malaysia

# Analysis of Malaysian GDP Prospect (%) in 2004

<b>Economist Analysis</b>	<b>%</b>
<b>The Economist Intelligent Unit (EIU)</b>	<b>4.4</b>
<b>Malaysian Institute of Economic Research (MIER)</b>	<b>5.4</b>
<b>Credit Suisse First Boston</b>	<b>5.3</b>
<b>Asian Development Bank</b>	<b>5.1</b>
<b>International Monetary Fund (IMF)</b>	<b>5.0</b>

# Allocation and Expenditure Under 8<sup>th</sup> Malaysia Plan, 2001 – 2005 (RM billion)

Sector	8 - MP							Budget 2004	Balance of Allocation
	Allocation		Revised		Expenditure				
	Value	%	Value	%	2001	2002	2003		
Economic Dev.	50.51	45.9	66.66	41.7	12.73	14.93	13.58	13.78	10.16
Social Dev.	37.52	34.1	66.24	41.4	15.38	14.54	17.17	11.15	-8.53
Security	10.75	9.8	16.21	10.1	3.29	3.08	4.06	2.68	1.32
General Ad.	12.22	10.2	10.89	6.8	3.84	2.80	3.15	2.34	2.5
<b>Total</b>	<b>110</b>	<b>100</b>	<b>160.0</b>	<b>100</b>	<b>35.24</b>	<b>35.34</b>	<b>37.96</b>	<b>29.96</b>	<b>5.45</b>

Source : Eighth Malaysian Plan (2001 – 2005)

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RM 1.00 = USD 0.263

# Construction Prospect

Year	Growth (%)
1998	-24
1999	-4.4
2000	1.0
2001	2.3
2002	2.3
2003	1.9 (expected)
Q1	1.2
Q2	1.4
Q3	2.4
2004	Higher then 2003

# **BASIS OF CONSTRUCTION PROSPECT**

**Big projects awarded**

**Big projects to be awarded**

**Government spending on social projects**

**Maintenance work**

**Upgrading works**

**Renovation works**

**Oil and gas sector**

**Property market demand**



**Outlook for 2004 and a few years ahead**



**Sustainable**

**THANK YOU  
FOR  
YOUR  
ATTENTION**