

# Economic Review



## Construction Sector

The development expenditure in 2006 that coincides with the first year of the 9th Malaysia Plan has been budgeted at RM33.5 billion, up 9.8% from RM30.5 billion in 2005.

There is a sense of gradual shift in the Government's focus from predominantly small-scale projects, to a combination of small-scale and mid-sized projects. In the 2006 Budget announced in end-September 2005, for instance, a hefty sum of RM1.9 billion has been allocated for "environmental preservation projects consisting of works in relation to the prevention of coastal erosion, drainage and flood mitigation, improvement of river and river estuaries, repair and construction of sewerage plants, and solid waste management." The mid-sized segment is where the big boys will dominate and could walk away with more decent margins.

After 2 consecutive years of decline, the construction sector is expected to turn around and register a positive growth of 1%, led mainly by the improvement in the civil engineering sub-sector. The civil engineering sub-sector would be supported by higher construction activity in the oil and gas industry as well as in public projects with the commencement of new projects under the 9th Malaysia Plan. Meanwhile, the residential and non-residential sub-sectors are expected to expand further supported by the attractive financing conditions and brisk business

activities. The residential sub-sector is expected to expand at a moderate rate following the strong expansion in the last few years, while the non-residential segment would continue to improve, benefiting from the favourable business environment which has resulted in high occupancy rates of retail and office space.

*(Source: RHB 2006 Market Outlook and Strategy)*

However, the outlook for the 9th Malaysia Plan 2006 to 2010 is much better. The construction industry is expected to grow by an average of 3.5% per annum as compared to only 0.5% in the 8th Malaysia Plan.

With the RM220 billion allocated under the 9th Malaysia Plan for overall development, there are encouraging signs that the construction industry will be stimulated to expand at an even faster pace.

The Government's policy to step up the progress in the application of Industrial Building System will also add to the momentum of expansion in the construction industry. SunInc will have to be proactive and to fully utilise the opportunities that are provided under the 9th Malaysia Plan. At the same time, SunInc will have to take advantage of the challenges and opportunities abroad to benefit on all fronts.

Indeed, SunInc will have to increasingly think and act global in order to progress more purposefully.