

BURSA INSTI SECTORIAL SERIES

Notepad with Ibrahim Sani – Construction

Bursa Malaysia worked together with Astro Awani's Notepad with Ibrahim Sani to feature the Construction sector. We invited Affin Hwang's Senior Associate Director of Research, Loong Chee Wei to talk about his views on the sector and key takeaways as below.

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- Overview: Cautious view on the sector due to slow roll out of government projects. Weak property sector, coupled with political uncertainties will result in low job flows in private construction. Contractors with overseas exposure will be more resilient as their overseas job will supplement their local jobs.
- KL-Singapore High Speed Rail (HSR): Finalisation of the project will be positive for the sector due to the scale and value of this project. In the initial stage of the project, engineering consultants like HSS Consultants will benefit and major contractors with track record in railway projects like Gamuda and YTL Corp will potentially benefit from this project. Subsequently, subcontractors like IJM Corp and Sunway Construction will benefit.
- KL MRT3: The main idea of retendering is to reduce the scope of specification of the project. The project was reduced to RM21-22bn (from RM45bn). With the cost reduction, it would be viable for government to finance the project and it would be a staggered project and extended to 8 years (from 5 years).
- ECRL: It is mainly driven by Chinese-based contractor like China Communication and Construction Company (CCCC). The award of contract will be driven by them and the project is partly financed by Exim Bank of China. Potential beneficiaries are Econpile, Advancecon and Sunway Construction.
- Government is expected to roll out more projects in 2021 but political uncertainty and the pandemic may cause project award delays.
- Covid-19: The work progress has resumed to 80-90% of efficiency at most construction sites. The delays were mainly due to the MCO. Since the reopening, work is progressing as normal. There is some problems with shortage of workers due to the pandemic but the problem is not acute since contractors are able to source workers from other subcontractors.
- Sarawak projects: More Sarawak project awards are expected in 2021 due to (1) upcoming Sarawak state election, (2) the state government has surplus of RM31bn to fund the projects. Projects such as East Coastal Highway project, Second Trunk Road, upgrade of water supply in rural and cities. More awards are expected ahead of election. Key beneficiaries include KKB Engineering and Cahya Mata Sarawak.
- Sabah: Pan Borneo Highway will be a staggered implementation due to budget constraints but expect more packages to be awarded in 2021.
- Usually ahead of general election, the government will spend more on infrastructure as it has big multiplier effects. Affin expects infrastructure spending will continue in 2021.
- Cautiously optimistic on the sector in terms of infrastructure spending in 2021 but political uncertainties remain the key concern for the sector. Affin's top buys are Gamuda, Sunway Construction, AME Elite Consortium, and Taliworks.