

# CONSTRUCTION INDUSTRY REVIEW & PROSPECT 2018/2019



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REVIEW & PROSPECT  
2018/2019**

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# CHAPTER 1

## **MALAYSIAN ECONOMY AT GLANCE**

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## Introduction

The Malaysian economy performed well in 2017 with 5.9% growth (2016: 4.2%), driven by continued expansion in the services and manufacturing sectors as well as the rebound in agriculture. Improvements in consumer confidence and business conditions, coupled with stable labour market conditions given that the unemployment rate remained unchanged and stayed low at 3.4%, contributed to stronger domestic demand, especially private consumption and investment. External trade was also bolstered by firmer global economic growth of 3.7% in 2017 (2016: 3.3%) that lifted major export commodity prices – namely

crude oil and palm oil – as well as exports in manufactured goods that contributed to the wider surplus in trade balance. All these factors in turn has lent support to the appreciation of the Malaysian Ringgit against the US Dollar and most regional currencies, while the Financial Times Stock Exchange Bursa Malaysia Kuala Lumpur Composite Index (FTSE FBM KLCI) recovered on improved earnings and renewed investors' confidence. The Overnight Policy Rate (OPR), which was kept unchanged at 3.00% during the year after the 25bps cut in 2016, further supported the economic growth momentum.

## Economic Sector

**Table 1.1 | Malaysia GDP by Economic Activity**

Economic Sector	Growth (%)			Share of GDP (%)		
	2015	2016	2017	2015	2016	2017
Agriculture	1.3	-5.1	7.2	8.9	8.1	8.2
Mining and Quarrying	5.3	2.2	1.1	9.0	8.8	8.4
Construction	8.2	7.4	6.7	4.4	4.5	4.6
Manufacturing	4.9	4.4	6.0	22.9	23.0	23.0
Services	5.1	5.6	6.2	53.5	54.3	54.4
<b>GDP at 2010 Constant Price</b>	<b>5.0</b>	<b>4.2</b>	<b>5.9</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Department of Statistics Malaysia

### Agriculture Sector

After a lacklustre growth performance in the past several years, the agriculture sector rebounded with a growth of 7.2% in 2017 (2016: -5.1%), following the output recovery in oil palm (2017: 16.0%; 2016: -12.7%) and rubber (2017: 9.3%; 2016: -6.3%). Crude palm oil (CPO) production improved on a higher fresh fruit bunch (FFB) yield from better weather conditions, while CPO prices climbed slightly to an average of RM2,783 per tonne (2016: RM2,653 per tonne).

However, the agriculture sector growth moderated to 0.1% during the first nine months of 2018 following lower growth in the oil palm subsector as well as a contraction in the rubber subsector. These two subsectors accounted for 50.3% of the overall agriculture sector in Malaysia. In 2018, the agriculture sector is expected to decline by -0.2% mainly due to lower production and prices for both CPO and rubber. Nevertheless, in 2019, the sector is projected to rebound by 3.1% driven by improvements in all subsectors, except forestry and logging.