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CONSTRUCTION SECTOR

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KUALA LUMPUR: The potential revival of the East Coast Rail Link (ECRL) project and affirmation of the Penang Transport Master Plan (PTMP) can create optimism in the construction sector.

“Sector valuation remains fair. But the value of new job awards is expected to continue to moderate after the good years of 2016 and 2017 as a result of the re-

prioritisation of major infrastructure projects,” said Maybank Investment Bank Bhd (Maybank IB) construction analyst Adrian Wong in a research note.

He said contractors’ order book replenishment opportunities would hinge on ongoing projects, such as the Pan-Borneo Highway, Gemas-Johor Baru double-tracking rail project and

Central Spine Road.

“Order book wildcards could come from the PTMP, Klang Valley double-tracking project (Phase 2), Johor Baru-Singapore Rapid Transit System link project and potential revival of the ECRL.”

Wong said the implementation of certain high-impact projects, such as Light Railway Transit 3

(LRT 3) and highways such as Damansara-Shah Alam Elevated Expressway, would continue as announced in the 2019 Budget.

“However, the Klang Valley Mass Rapid Transit 2 and LRT 3 have seen significant reductions to their total project values after cost review initiatives.”

Wong said new infrastructure projects to be awarded were ex-

pected to be reduced. With contractors now vying for a smaller pool of contracts, he expects lower construction margins.

“Profit margins up to six per cent are likely to be the new norm, compared with up to 10 per cent previously. We believe contractors with higher order book to cover ratios are likely to have more resilient margins.”