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CATALYSTS

'CONSTRUCTION SECTOR TO DRIVE GROWTH'

Boost seen from potential rollout of MRT3 packages, expansionary 2021 Budget

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THE construction sector is poised for an upcycle due to the potential revival of the Mass Rapid Transit 3 (MRT3) project and the expansionary 2021 Budget.

Some analysts expect the sector's contribution to the gross domestic product (GDP) growth to hit 15 per cent this year, reversing last year's 20 per cent contraction.

"We expect the impending rollout of MRT3 packages in the second half of this year to catalyse the construction sector by lifting market sentiments in terms of higher order book replenishment

prospects and earnings recovery momentum for construction players under our coverage," it said in a report.

With the government prioritising development expenditure on high impact projects, MIDF Research said it expected a 14.9 per cent increase year-on-year for the construction sector's GDP contribution this year.

MIDF Research maintained its "positive" call on the sector and named Gamuda Bhd as the major early beneficiary.

This is premised on the MMC-Gamuda consortium being the turnkey contractor or project delivery partner (PDP).

MIDF Research said Gamuda would also likely be the contractor for the tunnel works, given its



Gamuda Bhd is likely to be a big beneficiary from the revival of the Mass Rapid Transit 3 (MRT3) project given its experience in both the MRT1 and MRT2 projects, says MIDF Research

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Other beneficiaries included IJM Corporation Bhd, Sunway Construction Group Bhd, WCT Holdings Bhd, Gabungan AQRS Bhd, Malaysian Resources Corporation Bhd and Malayan Cement Bhd.

Public Investment Bank Bhd (PublicInvest) said MRT3 would have an immediate impact on the economy as it was a shovel-ready project, assuming the government proceeded with MMC-Gamuda as turnkey contractor.

"As this project is expected to kick off in second half of this year, we believe the government will proceed with either a PDP or turnkey contract model.

"But reverting to the PDP model is unlikely, given constraints on the government's funding as PDP fees will result in additional costs.

"Though it is reported that the PDP model is being explored to minimise execution risks, we think this could potentially be offset by the experience of contractors with good track records

previously involved in the MRT1 and MRT2 projects," it added.

PublicInvest maintained its "neutral" call on the sector.

Bursa Malaysia's construction index closed 1.16 points, or 0.62 per cent, lower at 185.26 points yesterday.

The index's most active counters were Widad Group Bhd, which shed 2.5 sen, or 4.81 per cent, at 49.5 sen, Ekovest Bhd, which eased one sen, or 1.98 per cent, at 49.5 sen and Zelan Bhd, which closed 0.05 sen, or four per cent, lower at 12 sen.