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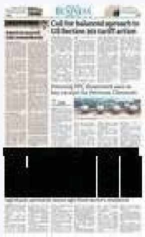

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Analysis: Construction enters measured expansion phase

Borneo Post (KK), Malaysia

Analysis: Construction enters measured expansion phase

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KUALA LUMPUR: Malaysia's construction sector is entering a phase of more measured expansion after two years of strong growth, but its momentum remains positive, supported by data centre (DC) demand, infrastructure rollouts and broader activity across transport, renewables and industrial projects.

In a sector update, the research arm of Public Investment Bank Bhd (PublicInvest Research) said the construction sector's growth was moderating after expanding by 20.2 per cent year-on-year (y-o-y) in FY24 and 12.5 per cent y-o-y in FY25.

For the first quarter of 2026 (1Q26), PublicInvest Research noted that construction work done grew 8.5 per cent y-o-y to RM46.5 billion with private sector projects accounting for RM30.5 billion, or 65.5 per cent of total activity.

Growth was mainly driven by the private sector, which expanded 13.2 per cent, supported by a 28.8 per cent increase in special trade activities and a 13.1 per cent rise in non-residential buildings.

PublicInvest Research said the growth in non-residential buildings was largely driven by hyperscale DC projects.

In contrast, the public sector contributed RM16.0 billion, or 34.4 per cent of total work done, with growth of 0.5 per cent.

Looking ahead, PublicInvest Research said DC would continue to anchor sector growth, although momentum was gradually broadening across transport, renewables, industrial parks and infrastructure.

The research arm said Malaysia's DC sector remained a key growth engine, supported by Tenaga Nasional Bhd's (TNB) RM43 billion grid modernisation plan and an 8.3 gigawatt (GWs) development pipeline.

It noted that 10 electricity supply agreements totalling 2.0GW could translate into about RM80 billion in potential construction value, based on an estimated construction cost of RM40 million per megawatt.

"Adding to this private-sector drive, the government is pressing ahead with key digital infrastructure projects, including Jendela Phase 2, the Submarine Cable Project (SALAM), and a Sovereign Artificial Intelligence (AI) Cloud, to strengthen digital connectivity and data sovereignty," they added.

Meanwhile, PublicInvest Research said the pipeline of public infrastructure projects remained robust.

Key projects include Phase 2 of the civil works package for the Penang Light Rail Transit project, Johor Bahru E-ART, MRT3, the Trans-Borneo Railway, the Perak-Penang water transfer project and the anticipated Large-Scale Solar 6 programme.

Overall, the analyst opined that the construction sector momentum while moderating will continue to sustain a positive momentum.

While the sector continues to be plagued by inflationary pressures from building materials, the research arm reckons that the current situation remains manageable for now.

Note that steel bar prices have stabilised at around RM3,271 per metric tonne (MT), while cement prices have rose 9.3 per cent y-o-y to RM25.95 per 50kg bag.

For 1Q26, PublicInvest Research notes that construction work done grew 8.5 per cent y-o-y to RM46.5 billion with private sector projects accounting for RM30.5 billion, or 65.5 per cent of total activity. — Bernama photo