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Busy pipeline, data centres to uplift construction sector

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PETALING JAYA: Construction players are expected to remain busy with ongoing and upcoming projects, but rising fuel costs linked to the Middle East conflict could push cement prices higher, says RHB Research.

In its report, the research firm noted that cement, ready-mix concrete and fuel collectively account for about 25% of a contractor's costs.

"Based on our preliminary estimates, a 10% increase in the price of these materials could reduce contractors' net margins by 0.3 to 0.5 percentage points," it said.

To note, cement prices had already risen following a crackdown on overloaded cement and construction trucks. Previously, these trucks often carried loads 50% or more above legal limits to reduce transport costs.

Stricter enforcement now means more trips are needed to deliver the same amount of cement, driving up fuel, labour and maintenance expenses.

For instance, RHB Research said companies such as Hume Cement Industries Bhd provided incentives to drivers and raised average selling prices by 10% to offset these additional costs.

The research firm added that a prolonged impact from the Middle East conflict could further push cement prices higher due to rising logistical costs.

Nonetheless, the research firm said the Investment, Trade and Industry Ministry

held an engagement session with industry stakeholders on March 6 to address the rising cement prices. Despite these developments, RHB Research has maintained an "overweight" stance on the sector.

"We believe contractors will remain occupied with their jobs on hand, coupled with upcoming ones," it said, noting that construction work totalled RM46.4bil in the fourth quarter of financial year 2025, achieving another record high.

The research firm expects the data centre (DC) space to remain active. RHB Research said Tenaga Nasional Bhd had signed electricity supply agreements for seven DC projects as of end-2025, with a combined maximum electricity demand of 1.2GW.

On non-DC projects, RHB Research said the medium-term pipeline remains healthy.

It said tenders for the Penang light rail transit (LRT) system works estimated at RM3bil to RM4bil and the second segment of the Penang LRT – connecting Komtar to Penang Sentral, estimated at RM5bil to RM6bil – could be awarded in the second half of financial year 2026.

It added that the Johor state government has proposed that the autonomous rapid transit project, estimated at RM6bil to RM7bil, be implemented on key alignments first, pending approval from the federal government.

Catalysts for the sector include a faster-than-expected rollout of the mass rapid transit three project and new DC hubs.