



24 APR, 2026

Construction sector resilient amid global risks

The Star, Malaysia



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PETALING JAYA: The domestic construction sector should be able to weather the impact from the Middle East conflict and the closure of the Strait of Hormuz to all shipping, says UOB Kay Hian (UOBKH) Research.

The research house said construction companies should be able to manage the price impact from the higher crude oil price, which has pushed costs up for fuel and building materials.

It said the “on-the-ground cost hikes for construction companies have been well capped and less severe than expected”.

It has maintained an “overweight” recommendation on construction stocks, with top picks being Gamuda Bhd, Sunway Construction Group Bhd (SunCon), Binastra Corp Bhd and Kerjaya Prospek Group Bhd.

These stocks come with “buy” calls.

UOBKH Research has a target price of RM5.25 for Gamuda, SunCon at RM7.40, Kerjaya Prospek at RM3.25 and Binastra at RM2.68.

It noted that data centre projects provide order book visibility for these companies, given that Tenaga Nasional Bhd has signed seven electricity supply agreements for these projects with a combined demand of around 1,200 MW, which brings total electricity demand for uncompleted projects to around 3,000 MW.