

Update of Covid-10 effects on Construction Industry in Malaysia

- The 1st case of Covid-19 in Malaysia was detected on 24 Jan 2020 and by 16 March, the government has issued a Movement Control Order (MCO) under the Prevention and Control of Infectious Disease Act 1988 (Act 342)
- Construction Industry is not deemed an essential services and all sites were required to shut down. Sites were allowed to re-open from early June with strict compliance to SOPs which include covid testing for all workers, social distancing rules, mandatory face mask and proper sanitizing.
- From 10 June, we moved into 'RecoveryMCO' stage until end on 31 Aug 2020 (but this is likely to be extended). Enforcement is very strict for the MCO such as mandatory wearing of face mask, quarantine for travelers and social distancing, with offenders facing RM1,000 (USD240) fine per offence and this may include possible jail term.
- During the initial stage of re-opening sites, local contractor organizations reported up to 35% reduction in workforce. Screening test costs approximately RM 250 (USD 60) each and only tests for local workers are paid for by Social Security Organization of Malaysia. Contractors have to pay screening test for their foreign labourers, maintenance of such workforce during the lockdown and full compliance with SOPs
- Needless to say, the value of construction works contracted in the 2nd Quarter, by approximately 44% . Currently the private dominates the public sector and Civil Engineering sub-sector is the main contributor to the industry.
- While many residential projects are on-hold, the good news is that some developers are still reporting good sales for their choice projects. It is also a general consensus that the banks in Malaysia remains healthy and would be able to support viable construction projects



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Government Initiatives and Immediate Outlook

- The initial relief packages offered by the Government includes subsidy for lower income earners and a moratorium from repaying of installment on all loans until 31 Sept 2020 to ease cash flow burdens.
- The Covid relief initiatives and stimulus packages to rejuvenate the economy totals RM295 Billion with RM 45 Billion in the form of direct physical injection by the Government.
- On the construction side, the Government has given automatic extension of time for 84 days with possible application for additional 30 days for re-mobilization, to be appraised by the Contract Administrator. This will generally form a basis for the private sector to follow. But the Government has also classify Covid-19 as a force majeure event and hence loss and expense claims will need to be under other valid clauses.
- The government has introduced the Covid-19 Bill 2020 as Temporary Measures for Reducing the Impact of Coronavirus Disease. It is expected to cover amongst others, issues on suspending the obligations on selected contracts including construction works contract, construction consultancy contracts & performance bonds.
- The Bill will also give certainty to the various obligations under Sales and Purchase Agreements for the property market.
- The World Bank forecasts the economy of Malaysia to declined to -3.1% this year but we are expecting a V-shaped recovery by 2021.
- However, on the ground, most of us remain cautious as we await new announcements by the government before 31st August 2020.

