

Rein in soaring building material prices, govt urged

PETALING JAYA: The local building and construction industry has urged the government to intervene to manage the steep rise in prices of building materials in the recent month, according to a joint statement issued by seven organisations and associations from the industry.

In the statement, they highlighted that the rise in building material prices has resulted in a 13-20% increase in cost of doing business, citing that prices of some items such as mild steel and sand have jumped by 41% and 20%, respectively, since October 2020. This situation has put companies' already dwindling profit margins (if any), under pressure, they said.

They see a surge in raw material cost, shortage of foreign workers, rise in logistics cost, an upward trend in crude oil prices and a rising energy cost as the major factors contributing to this phenomenon.

"We are very worried that if these issues are not given urgent attention, the industry will suffer further and subsequently would adversely impact our sector and the country's economic growth," said the joint statement by Master Builders Association Malaysia, Real Estate and Housing Developers' Association Malaysia, Persatuan Kontraktor Melayu Malaysia, Persatuan Kontraktor Bumiputra Malaysia, Guild of Bumiputra Contractors Wibawa, the United Malaysia Contractors Association and Persatuan Kontraktor India Malaysia.

Against this backdrop, the associations appealed to the government to continuously monitor and enforce to ensure that there are no profiteering and anti-competition actions in the supply chain as well as expedite the entry of foreign workers to ease the current shortage.

They also called for the variation of price (VOP) clause in contracts for government projects to be extended for at least another 12 months as price volatility is expected to remain beyond Dec 31, 2021. Similarly, they urged the authorities to encourage the introduction of the VOP clause in private projects.

The industry hopes immediate measures can be taken to overcome the issue of rising cost of building materials.

"If left unattended, the matter will prolong and it can easily lead to loss-making projects and cash flow crunch.

"Developers may have no choice but to pass the extra cost into higher house prices which will ultimately burden the rakyat while contractors who are not able to absorb the extra cost may have to resort to halt their work," they said in the statement.

Based on figures from the Construction Industry Development Board and the **Department of Statistics Malaysia**, the associations highlighted that private sector projects account for 65% of the total awarded projects up to October this year.

Therefore, they said, the building and construction sector should be given the same priority accorded to other sectors, otherwise the efforts towards economic recovery will be derailed prematurely.

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