

Government urged to tackle building material price hike issue

PETALING JAYA (Dec 13): The building and construction industry urged the government to take immediate measures to address the skyrocketing building material costs to prevent further and greater negative impact to the sector and the country's economic growth.

In the joint statement issued on Monday (Dec 13) by Master Builders Association Malaysia, Real Estate and Housing Developers' Association Malaysia, Persatuan Kontraktor Melayu Malaysia, Persatuan Kontraktor Bumiputera Malaysia, Guild of Bumiputera Contractors Wibawa, the United Malaysia Contractors Association and Persatuan Kontraktor India Malaysia, the representatives of the sector said the hike of building material prices have resulted in a 13% to 20% increase in construction cost.

"Some [building material] items which have shown drastic increase include mild steel price, up to 41%, and sand, up to 20%, since Oct 2020. Such situation has put companies' already dwindling profit margins under pressure," the statement showed.

The industry representatives believe that the major factors affecting the price increase are due to the surge in the costing of raw material, acute shortage of foreign workers in the country, increase in logistics cost, the upward trend in prices of crude oil, and the rise of energy costs.

"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," it said.

The representatives have suggested a few proposals to tackle the issue, such as continuous monitoring and necessary enforcement by the government to ensure there is no profiteering as well as anti-competition in the whole supply chain of the industry; expediting the entry of foreign workers to ease the current shortage; 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; as well as for private projects, the government to encourage the project owners to introduce VOP in their contracts.

"We fervently hope that immediate measures to overcome these very pressing issues can be taken to address the rising costs of building materials. If left unattended, the matter would 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 [halting] their work," it said.

Based on the data by Construction Industry Development Board and **Department of Statistics Malaysia**, private sector projects comprised 65% of the total projects awarded up to October 2021.

"With such huge numbers undertaken by the private sector, it is imperative to give the same priority accorded to other sectors, to the building and construction sector otherwise the efforts towards economic recovery would be derailed prematurely," it concluded.

<https://www.theedgemarkets.com/article/government-urged-tackle-building-material-price-hike-issue>