CIDB Market Intelligence Report For Selected ASEAN Countries

International Division

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Foreword

The main purpose of this report is to highlight the importance of the selected ASEAN countries for the benefit of Malaysian construction and infrastructure industry players. It should serve as a valuable guide for them prior to embark on projects and ventures in the ASEAN countries covered by this report. This report does not purport to be providing a complete or comprehensive study on each of the selected ASEAN countries. The number of pages for each country varies and certain economies will be elaborated more than the rest due to availability of information and data, which also reflect the actual situation, for example in terms of available and undergoing projects in each of the countries. It is recommended that professional advice be sought before taking any action pursuant to any information and data contained in this report. The report has been completed in June 2016 and the information and data used in the preparation of this report has been obtained primarily from Country Assessment reports provided by the Export-Import Bank of Malaysia Berhad (EXIM Bank) and the CIDB International Project Database. No warranty, express or implied, is being made or will be made by the Construction Industry Development Board Malaysia regarding the accuracy or adequacy of the information contained in this report. Due care has been taken in the preparation of this report, but because of the possibility of human and mechanical error, no liability is assumed for the correctness of any of the information contained herein. The Construction Industry Development Board Malaysia also assumes no liability for the interpretation and/or use of the information contained herein. The information and data contained in this report are current as of June 2016. This report is also appended with a report on CIDB's Market Talk Series seminar which was held in Kuala Lumpur last year. The latter contain the latest information on the economic and current business environment in India and Indonesia, as of August 2015.

Acknowledgement

The Construction Industry Development Board Malaysia (CIDB) wishes to express gratitude to the Export-Import Bank of Malaysia Berhad (EXIM Bank) for providing valuable resources during the preparation of this report. Puan Zabedah Giw, Head of Global Advisory and Research of EXIM Bank was particularly instrumental in sharing her expertise and input during the preparation of this report which was led by Puan Zainora Zainal, General Manager of Business Division, CIDB. This report was developed under the existing Memorandum of Collaboration Agreement or MOCA which was signed by CIDB and EXIM Bank in May 2013. CIDB also wishes to record our deepest appreciation to Dato' Ir. Ahmad 'Asri Abdul Hamid, Chief Executive Officer of CIDB, Puan Norzilah Mohammed, Chief Executive Officer of EXIM Bank and Puan Sariah Abdul Karib, Senior General Manager, Corporate and Policy Sector, CIDB for their valuable insights and continuous support throughout the development of this report.

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SINGAPORE

Overview

Total trade between Malaysia and Singapore has been declining since 2011, falling from RM194.09 billion in 2010 to RM23.18 billion in 2014. Trade balance remained in surplus as Malaysia's exports outpaced its imports. Petroleum, petroleum products and related materials; electrical machinery, apparatus and appliances; manufactures of metals; miscellaneous manufactured articles are Malaysia's exports while its imports consist of petroleum and its related products and materials; plastics in primary forms; office machines and automatic data processing; electrical machinery, apparatus, appliances and electrical parts.

On the investment, Malaysia's FDI in Singapore totaled RM80.72bil in 2014 compared to RM72.54bil in 2013, an increase of 11.3%. The investment is expected to follow an uptrend, judging on the recent signed deal for a high speed rail project which will signify another welcoming co-operation between the two countries in driving the economy forward. Singapore's ease of doing business was ranked at the first position while the global competitiveness Index was ranked second, outperforming all the rest of the ASEAN members. However, Singapore needs to improve further on its restrictive labor regulations and enhance its capacity to innovate in order to stay competitive.

Being a manufacturing and service export-oriented economy, Singapore's services sector, which accounts for 70% of the GDP has become increasingly significant. The economic growth is supported by trade, finance and business services. In Q1 2015, the economy grew 2.6% year-on-year (y-o-y) higher than the 2.1% recorded in the preceding quarter. Of the 2.6% growth, 2.5% came from services producing industries while 0.1% was from ownership and dwellings.

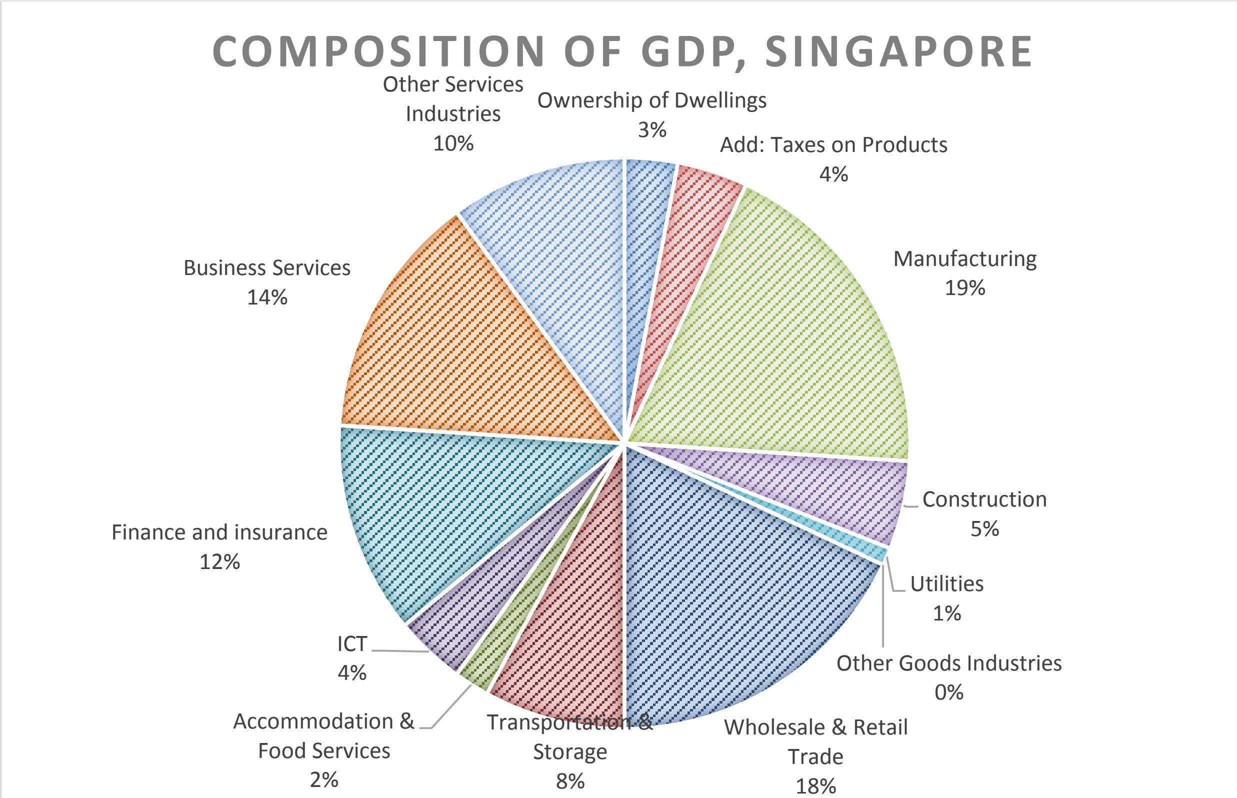

Figure 1: Composition of GDP, Singapore

Finance and insurance sector recorded the strongest growth, followed by ICT, wholesale and retail trade, construction and business services. The economy was expected to grow at 2-4% in 2015 due to expansions especially in wholesale, retail trade, business services, finance and insurance sectors, which recorded solid positive growth.

Country-Specific Information

Nominal GDP	S$99,407.80mil (Q1 2015)
Real GDP growth	2.6% (Q1 2015)
Government	Parliamentary republic
Head of Government	Prime Minister Lee Hsien Loong
Population	5.47mil (2014)
Real GDP Contributor	Services producing and goods producing Industries

Inflation	0.5% (April 2015)
Unemployment rate	1.8% (March 2015)
Reserves (ex. Gold)	S$333.72bil (April 2015)
Exchange Rate : S$ vs USD	S$1.34985 : USD 1 (as at 29 May 2015)

Table 1: Brief overview of Singapore Socio-Economic Status

Selected SWOT Analysis

Strength

- Being a creditor nation, Singapore has no external public debt.
- The economy is expected to remain competitive as Singapore is one of the top five countries in the world in terms of ease of doing business as well as global competitiveness.
- Construction sector registered a remarkable growth of 3.1% y-o-y compared to 0.7% in the previous quarter, supported by a pick-up in private sector construction activities.
- Singapore's headline consumer price index (CPI) has been falling on a y-o-y basis due to a slide in global oil prices in the second half of 2014 along with falling housing rents and private road transport cost.

Weakness

- The goods producing industries continues to register negative growth. With lesser reliance and focus on manufacturing sector, the growth declined to 2.7% in Q1 2015, extending the contraction of 1.3% in Q4 2014.
- Tight labor regulations and currency appreciation could pose a constraint on the business community and investors doing business in Singapore.

Opportunity

- Malaysia's FDI in Singapore which amounted to RM72.54bil in 2013 has seen an increase of 11.3% to RM80.72bil in 2014, and the investment is expected to follow an uptrend.

Threat

- The economy is facing challenges due to uneven economic recovery surrounding the advanced economies and sluggish performance in some of Singapore's key trading partners one of which is China.

Financing

The overall balance of payment recorded a deficit of S$1.3 billion in Q1 2015 compared to a surplus of S$0.1 billion in Q4 2014. Although the current account surplus rose higher for the quarter, it was offset by the larger deficit in the capital and financial account, which was as a result of a sharp reversal in the portfolio investment accounts as net outflows totaled S$11 billion against net inflows of S$0.5 billion in the previous quarter. The domestic non-bank private sector increased their purchases of overseas securities is among the reasons contributing to outflows.

With a prudent fiscal policy which aims at reducing the public debt, Singapore has maintained its budget in surplus since 1983. As a percentage of GDP, it was at 1.3%. However, unless there are other additional financial resources/revenues generated, the surplus could narrow in the medium term as a number of new infrastructure projects are expected to increase the capital expenditure.

Key Economic Indicators, Singapore			
	Current Year	Forecast 2015	Forecast 2016
GDP Growth	2.6% (Q1, 2015)	2% - 4%	-
Government Budget as a % of GDP	1.3% (2014)	-1.50%	0.30%
Government Debt as a % of GDP	106.7% (2014)	108.90%	109.00%
Debt Service Ratio	0.7% (2014)	0.70%	0.70%
Reserves	S$333.72 billion (April 2015)	-	-

Table 2: Key Economic Indicators, Singapore

Bilateral relationship between Malaysia and Singapore in the construction industry

Participation of Malaysian construction-related companies in Singapore

Status of project	No. of project	No. of contractors	Total Value (RM)
Completed	57	17	1,000,371,005.83
On-going	1	1	49,600,000.00
TOTAL	58	18	1,049,971,005.83

Table 3: Summary of Projects Secured by Malaysian Companies

Based on CIDB's database, Malaysian construction-related companies have managed to secure 58 projects amounting to USD309.6 million in value, in which 57 projects have been completed while the remaining one is still ongoing. These projects involve various sectors such as structural frame, railway, tunnel, road, airport, jetty/port, water treatment plant, building and power plants and undertaken by major companies such as Eversendai Engineering (M) Bhd, Zelan Holding (M) Sdn Bhd, Muhibbah Engineering (M) Bhd, Waiko Engineering Works Sdn Bhd, M-IO Builders Sdn Bhd and Water Engineering Technology Sdn Bhd.

The biggest project was the one carried by Muhibbah Engineering (M) Bhd. which was for the construction and completion of 4 Jetties and Jetty Head – Horizon Bulk Liquid Product terminals at Jurong Island. The project was valued at USD51.26 million and completed in 2006.

Participation of Singapore construction-related companies in Malaysia

Status of project	No. of project	Total Value (RM)
Completed	245	5,333,277,970.96
On-going	35	1,926,391,242.85
TOTAL	280	7,259,669,213.81

Table 4: Summary of Projects Secured by Singapore Companies

To date, 40 Singaporean companies have a presence in Malaysia and managed to secure 280 projects with a value amounting to RM7.2 billion. Among the active companies are:

- APG Geo-Systems Sdn Bhd
- BBR Construction Systems (M) Sdn Bhd
- Chez Design Sdn Bhd
- Eco-Gallery Sdn Bhd
- G-Pile Sistem Sdn Bhd
- Panasonic Eco Solutions Malaysia Sdn Bhd
- UM Land Builders Sdn Bhd

The scope of work of these companies includes:

- Building
- Bridge
- Railway
- Tunnel
- Water Treatment
- Solar System
- Power Plants/Transmission
- Residential
- Mechanical and Electrical
- Mixed Development Projects

THAILAND

Overview

Thailand's economy recorded a marginal growth of 0.7 in 2014, one year after the military coup. Growth mainly sustained by improvement in the services sector especially tourism industry particularly in the last quarter of 2014 with the returning if Chinese tourists. As a result, visitor arrivals statistics increased by 4.2% over the October and November period. The economy continues to record a better growth of 3% in the 1Q 2015 underpinned by calm political environment, the restoration of government investment and lower fuel costs for businesses and consumers.

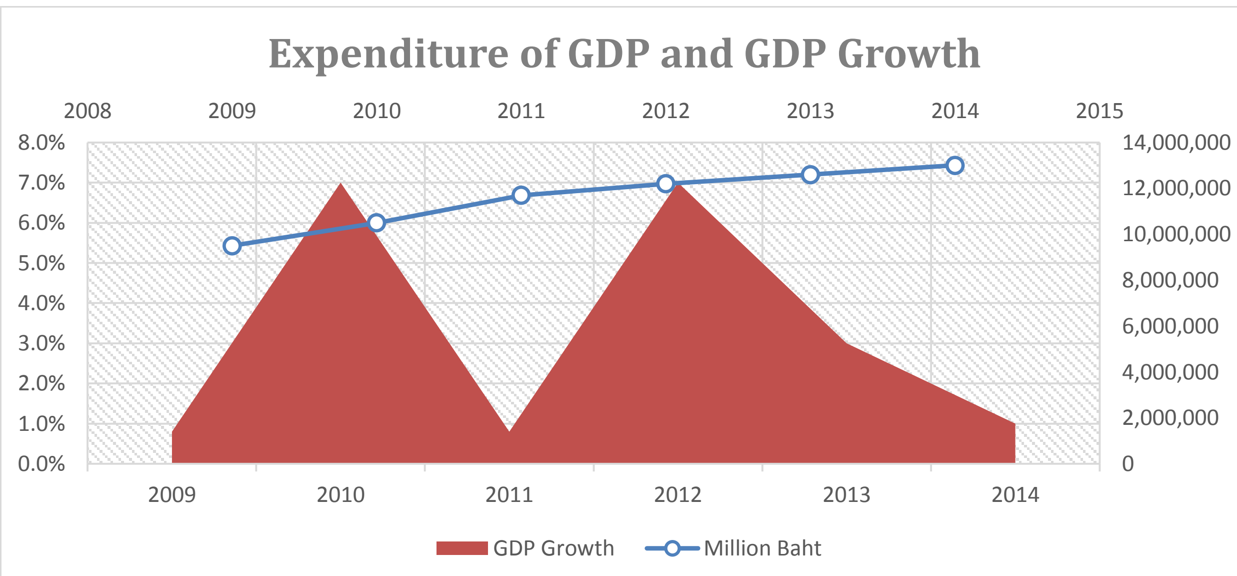

Figure 2: Expenditure of GDP and GDP Growth, Thailand

However, with general weakness in the market, the economy is likely to be under pressure as exports will be hit by an economic slowdown in the country's key trading partners, particularly Japan and China and loss of export competitiveness over the end of the European Union's tax privileges for Thai products beginning 1 January 2015. The subsequent delay in government investment spending and cautious sentiment among the private investors would likely place the country's economy in a subdued mode. Hence, Thailand is expected to experience a lower range target growth of 3% for the economic achievement of 2015.

In 2014, Malaysia's total exports to Thailand eased to RM40.3 billion from RM41.7 billion in 2013 whilst total imports increased slightly to RM39.6 billion from the previous RM38.95. Malaysia's exports to Thailand consists of electrical and electronics goods, crude petroleum, chemical and chemical products, machinery, appliances and parts. On the other hand, Malaysia imports from Thailand electrical and electronics products, automotive and automotive parts and rubber. Malaysia is currently the fifth largest investor in Thailand after Japan, United States, Singapore and China and the second largest within ASEAN after Singapore.

Country-Specific Information

GDP (2014)	THB 13,148 Billion
Government Type	Constitutional Monarchy
Capital	Bangkok
Population (July 2014)	67.5 million
Inflation (May 2015)	-1.3%
Unemployment rate (April 2015)	0.85%
Public Debt (2013)	45.7% of GDP
Total Export (2014)	THB 7,314 billion
Total Import (2013)	THB 6,502 billion
Exchange Rate : USD vs THB (Sep '15)	USD 1.0 = THB 35.83
Country Rating (International)	BAA1-stable (Moody's) A- (S&P) BBB+ (Fitch)

Table 5: Brief overview of Thailand Socio-Economic Status

Selected SWOT Analysis

Strength

- Inflation continues to decelerate for a third straight year to 1.9% in 2014 on the back of weak domestic demand coupled with low food and oil prices.
- The junta government plans to increase spending to the highest in seven years to spur local demand and offset worsening exports. Increase in spending could upset the

expected deficit target of THB250 bil to THB390 billion. Investment on the other hand, will account for a fifth of total spending which will be used for construction works like roads and rails.

Weakness

- Thailand faces a tight labor market largely due to an ageing population and low fertility rate. Employment expanded at an average of 1.9% per year from 2000-10 down from 2.4% during 1986- 96. The population aged under 15 has steadily declined over the past decade. The tight labor market is evident in the low unemployment rate of 0.8% as at April 2014. The labor shortage issue has been affecting various sectors especially industrial and tourism sectors as many businesses are still labor-intensive.
- The promised general election has been postponed several times and is expected to be held in the middle of 2016 as the military government plans to hold a referendum on a new constitution. The provisions of the constitutional draft are widely seen as an attempt to establish autocratic rule in Thailand.
- Thailand's household debt continues to rise in 2014. From 82.3% in 2013 to 86% of GDP in 2014. Nonetheless, the increase has been at slower pace due to various monetary measures imposed by the banking sector. This is also would mean that Thai's consumers are likely to be cautious in committing to big ticket items.

Opportunity

- Thailand still manages to attract foreign investors with 1Q 2014 FDI applications up 28% y-o-y.

Threat

- Economy is expected to face with further headwinds such as lackluster global demand.

Major infrastructure and construction projects overview

- Thailand has signed several bilateral agreements with other countries such as China and Japan to develop two railway trunk lines across Thailand. The project, which will cost USD12 billion, is to be completed by 2020.
- Proposed projects in Thailand include the THB323 billion Water Resources Management involving construction of flood control/prevention system and land infrastructure projects involving high-speed rail links between Bangkok and upcountry, double-track rail links to support cargo and new roads nationwide and mass-transit systems costing THB2.27 trillion.

Financing

The government has allocated a total of THB2,575 billion worth of budget expenditure for FY 2015. The budget is funded by net revenue amounting THB2,325 billion and domestic borrowings worth THB250 billion. Similar to 2014, budget deficit is expected to be around THB250 billion, in line with government aspiration to achieve a balanced budget by 2017. Loan growth tumbles to 5% for 2014 compared to 11% for 2013, in line with the laggard economic conditions. NPL in 2014 was at THB277.2 billion, increased by THB11.5 billion from the previous year. The gross NPL to total loan is stable at 2.15% while net NPL to total loan rose slightly to 1.08%.

The total amount of FDI approved in 2014 increased slightly to THB483 billion from THB479 billion in 2013. In fact, 1Q 2015 approved FDI jumped 83.5% to THB126 billion compared to the previous year 1Q. Japan remains as the largest foreign investors in Thailand despite the total approved FDI dropped to 37.6% followed by European investors with an increase of 15.6%. Malaysian investor’s confidence remains resilient on the back of the political crisis as the net application from Malaysia increased to THB33 billion from THB29 billion last year. However, Thailand’s Board of Investments has approved only THB1.3 billion.

Company	Export (%)	Total Investment (THB Million)	Products
Great Glove (Thailand) Co. Ltd	90	240.0	Latex examination gloves
Toli Packaging (Thailand) Co. Ltd	0	56.9	Plastic tray for electronic products
Metro Wealth Polymer (Thailand) Co. Ltd	90	27.6	Recycled Plastic Rein
Magna Healthcare (Thailand) Co. Ltd	0	3.0	Trade & Investment Support Office
Smothong Biomass Co. Ltd	0	650.0	Electricity Power for Bio Mass
Von Bundit Co. Ltd	90	250.0	Ribbed Smoked Rubber Sheet
Ingress Autocentures Co. Ltd	30	350.0	Door Sash & Parts
F&N Dairies (Thailand) Ltd	15	761.2	Dairy & Sweet Beverage
Notion (Thailand) Co. Ltd	10	205.0	Metal Parts &Plastic Forming
Quality Coils Industries Co. Ltd	50	31.9	Mosquito Repellant
ISCM Technology Co. Ltd	0	18.5	Scientific Laboratories
Thai Airasia Co. Ltd	0	14360.0	Air Transportation
Anstac (Thailand) Co. Ltd	40	25.0	Graphite Electrode for Machine
Best Latex Co. Ltd	90	183.0	Concentrated Latex
Thaima Rubber Co. Ltd	100	180.0	Concentrated Latex
Healthy Glove Co. Ltd	90	520.0	Examination Gloves
Taiyo Stainless Spring (Thailand) Co	50	140.0	Metal Parts
Imoney Co. Ltd	0	2.0	E-Commerce Business
Maxsoft Precision (Thailand) Co. Ltd	0	40.0	Mould Plastic Parts
Mexcomm Corporation (Thailand) Co. Ltd	0	4.0	Software
S T Latex Co. Ltd	90	120.0	Concentrated Latex
Toprank Enova Power Co. Ltd	10	12.0	Electrical Control Equipment
Nihon Seiki Thai Ltd	20	380.0	Metal Parts
SE Industries (Thailand) Co. Ltd	10	12.6	Printed Adhesive Label
APM Auto Components Thailand Ltd	0	511.8	Plastic Parts
Takaso SC (Thailand) Co. Ltd	90	78.5	Halal Food
GHL E-Payments Co. Ltd	0	5.0	Software
Colden De Triumph Co. Ltd	99	20.0	Jewelry
Anurak Water Treatment Facilities Co. Ltd	0	120.0	Waste Water Treatment

Table 6: FDI from Malaysia in 2013

Bilateral relationship between Malaysia and Thailand in the construction industry

Participation of Malaysian construction-related companies in Thailand

Status of project	No. of project	No. of contractors	Total Value (RM)
Completed	46	11	2,147,188,000.00
On-going	3	3	147,690,000.00
Miscellaneous	4	1	258,920,000.00
TOTAL	53	11	2,553,798,000.00

Table 7: Summary of Projects Secured by Malaysian Companies

Based on CIDB's database, Malaysian construction-related companies have managed to secure 53 projects amounting to USD 769 Million in value, of which 46 projects have been completed, 3 projects are still ongoing while another 4 projects are categorized under miscellaneous categories due to cancellation of contract by client, termination of contracts, dispute settlement, funding problems etc.

These projects involve various sectors such as residential, building construction, M&E, road, bridge and water treatment and prominent companies such as the Bina Puri Holdings Berhad, Ranhill Water Technologies Sdn Bhd, Corroless (M) Sdn Bhd, Percon Corporation Bhd, ASCE Construction Limited and Salcon Engineering Bhd.

Participation of Thailand construction-related companies in Malaysia

Status of project	No. of project	No. of contractors	Total Value (RM)
Completed	3	1	412,503,877.81
On-going	1	1	677,605,508.94
TOTAL	4	2	1,090,109,386.75

Table 8: Summary of Projects Secured by Thailand Companies

To date, two Thailand companies have a presence in Malaysia and managed to secure 4 projects amounting to MYR 1.09 Billion in value. Among the active Thailand construction companies include TTCL Malaysia Sdn Bhd and Thyssenkrupp Industrial Solutions (Malaysia) Sdn Bhd.

The biggest project so far is the one undertaken by TTCL Malaysia Sdn Bhd. which is to build the offsite facilities for the Rapid Project, Package 5, Steam Cracker Complex with a contract valued at RM677.61 million and expected to be completed in May 2019.

CAMBODIA

Overview

United Nations (UN) has classified Cambodia as one of the least developed countries and is now emerging as a key investment destination and potential consumer market for companies focused on Southeast Asia. After more than a decade of 6% plus growth with just one hiccup during the global crisis in 2009, Cambodia has begun attracting serious interest. An expected recovery in Cambodia’s main trading partners and improving infrastructure should help sustain solid growth going forward. However, fears of renewed social unrest cast downside risks to growth. GDP is forecasted to grow 7.2% in 2015 and 7.3% in 2016.

Cambodia is heavily reliant on international trade. The country's economy is supported by garment industry, tourism, agriculture and construction. The main products Cambodia exported include garments and footwear, rubber latex, milled rice and cassava. On the import side, the country shipped in products including garment and textile raw materials, petroleum, construction materials, automobiles and motorcycles, food and soft drinks, pharmaceutical products and cosmetics.

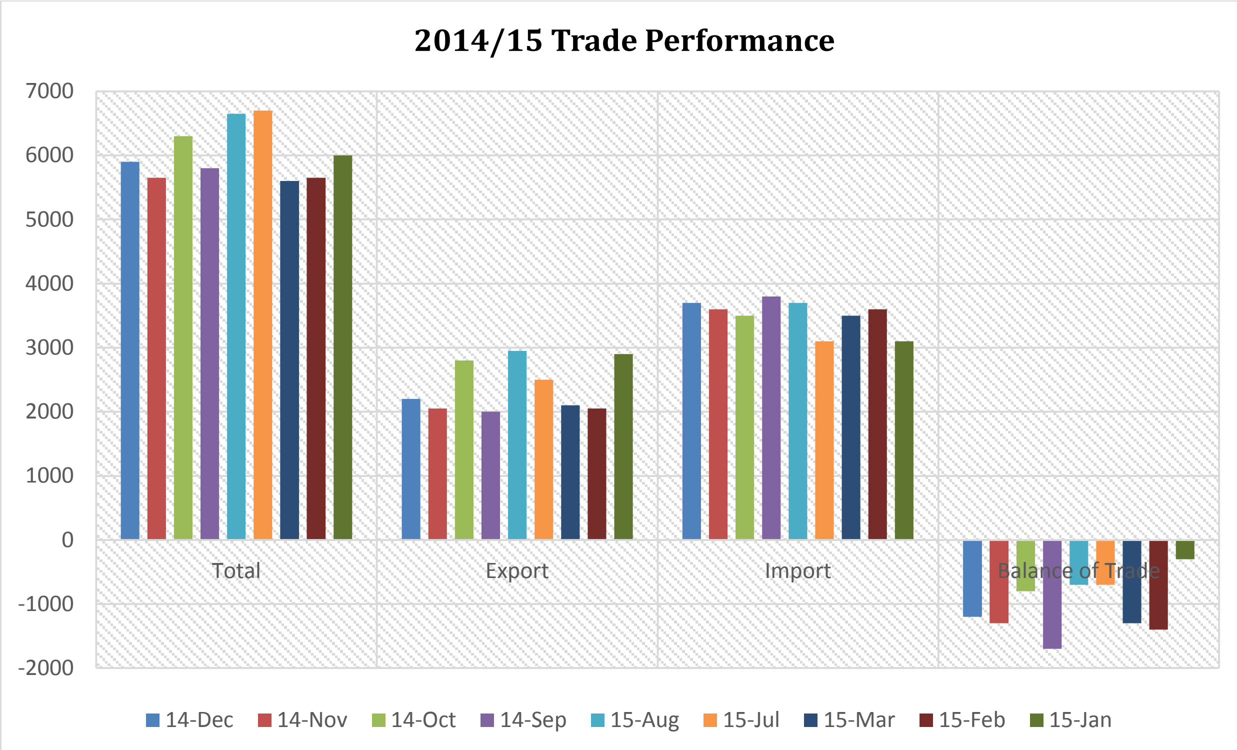

Figure 3: 2014/15 Trade Performance, Cambodia

Cambodia's main export trading partners are the US (31%), followed by the UK (8%), Germany (8%), Canada (7%) and Singapore (6%).

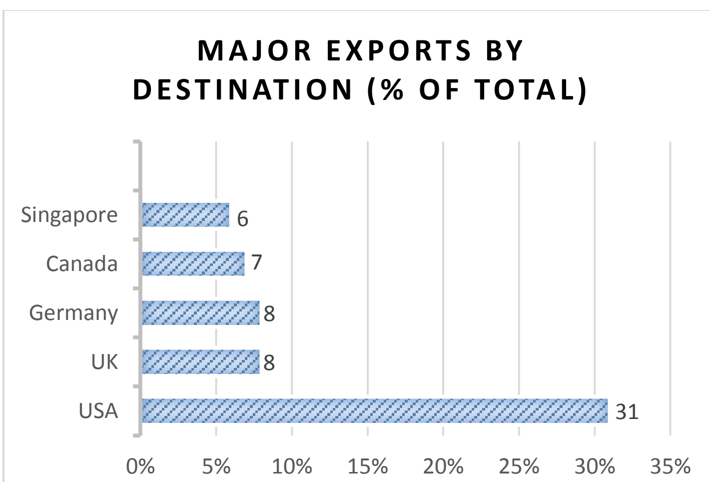

Figure 4: Major Exports by Destination, Cambodia

Malaysia is the third largest investor in Cambodia with a total investment in a range of sectors, including the banking, tourism, information technology and finance sectors, of approximately USD2.62 billion in 2014. Cambodia and Malaysia promised to enhance bilateral cooperation in trade, investment, tourism and education and more Malaysian investors to invest in agriculture, infrastructure development, rubber plantations, and energy in Cambodia.

In February 2014, CIDB been invited to participate in the official visit to Cambodia by the then Deputy Prime Minister, Tan Sri Muhyiddin Yassin. During the visit, CIDB had the opportunity to meet with the Board of Engineers Cambodia, the Cambodia Constructors Association and the Minister Attached to the Prime Minister Secretary of State to explore and discuss on the possible involvement of Malaysian construction companies in the upcoming projects in Phnom Penh and future collaboration between Malaysian and Cambodia.

Country-Specific Information

GDP (2014)	USD16.71 Billion
Real GDP growth (2014)	7%
GDP per Capita	USD745
Government Type	Constitutional Monarchy
Head of State	Hun Sen
Capital	Phnom Penh
Population	15.4 million (2014)
Inflation	4% (2015f)
Unemployment rate	0.3% (2015)
Exchange Rate : USD vs Riel	USD 1.0 = KHR 4,050
Country Rating (International)	Moody’s : B2

Table 9: Brief overview of Cambodia Socio-Economic Status

	Global Competitive Index 2015/16	Ease of Doing Business 2015	Global Enabling Trade Index 2014	Corruption Perception Index 2014
Cambodia	61	135	93	156
Malaysia	18	18	25	50

Table 10: World's Ranking: Cambodia vs Malaysia

Selected SWOT Analysis

Strength

- The economic growth is performing well after the stagnation in 2009. The economy has recovered with a growth of averaging 7% per annum in between 2011 to 2014.
- The inflation pressures are decreasing due to declining crude oil prices since last year and weak energy prices should counterbalance further rise in food prices. Inflation will likely to go below 4.5% in 2015.
- Cambodia's international reserves improved from USD5.6 billion in 2014 to USD6.3 billion in mid- 2015, sufficient to cover more than 4 months of imports of goods and services.
- Strong revenue performance supported by the Revenue Mobilization Strategy (RMS) and solid growth have eased immediate fiscal pressures and improved fiscal buffers by replenishing government deposits.
- There is now greater confidence that there will be no change in government before the 2018 elections, and even if the opposition were to win the next election; the impact on the business environment would not be as disruptive.

Weakness

- Economy structure remains inefficient for growth with a strong dependency on the agriculture sector and garment industry, poor infrastructure and weak business environment.
- Cambodian is slowly moving into a more complex society.
- The financial system is very fragile with a high sensitivity to confidence shocks and capital outflows.

- Cambodia recorded a trade deficit in equivalent to USD1.1 billion in the first five months of 2015.
- Intensifying pressures from workers' unions asking for a significant wage hike.
- Very little public data/information and the accuracy can be questioned.

Opportunity

- A government led by the current party would retain the major thrust of current policies to keep the economy open and attractive to foreign investment. Contracts would be honored to ensure investor confidence is maintained.

Threat

- Cambodia scored poorly in major business indices, such as the Ease of Doing Business 2015 index that ranked it at 135 out of 189.

Financing

The financial system in Cambodia is very fragile with a high sensitivity to confidence shocks and capital outflows. The reason behind this fragility is the lack of effectiveness of the monetary policy due to high dollarization in the economy. The other reason is the banking supervision is poor with the current prudential framework underdeveloped. The banking system saw a significant confidence shocks during the last election, the banking sector was subject to large withdrawal. The banking sector is also continues to be faced with high risks including foreign funding, strong exposure to the real estate sector and fast credit growth.

Bilateral relationship between Malaysia and Cambodia in the construction industry

Participation of Malaysian construction-related companies in Cambodia

Status of project	No. of project	No. of contractors	Total Value (RM)
Completed	79	9	1,322,590,000.00
Miscellaneous	1	1	9,420,000.00
TOTAL	80	10	1,332,010,000.00

Table 11: Summary of Projects Secured by Malaysian Companies

Based on CIDB's database, Malaysian construction-related companies have managed to secure 80 projects amounting to USD 383.4 million in value, of which 79 projects have been completed while 1 project is being categorized under Miscellaneous due to the cancellation of contract by client, termination of contracts, dispute settlement, funding problems etc.

These projects consisted of various sectors such as roads and highways, airport, oil & gas, building, M&E and power plant undertaken by major companies such as Muhibbah Engineering (M) Bhd., Bina Puri Holdings Bhd. and Eastern Soldar Engineering & Construction Sdn Bhd.

The most notable project was the one undertaken by Muhibbah Engineering (M) Bhd. which is to upgrade the International Airport Phnom Penh, Cambodia, valued at USD 31.27 million. The project was completed in 2002.

Participation of Cambodia construction-related companies in Malaysia

Based on CIDB's database, currently there is no project undertaken by any Cambodia contractor in Malaysia.

LAO

Overview

Despite achieving an average economic growth of 7.5% in the last decade, Lao continues to face difficulties in improving its financial commitments. Lao has to depend on foreign aid and grant to provide additional sustenance to develop the country. Its long term plan of becoming "Battery for Southeast Asia" could be affected and derailed due to insufficient funds promised earlier. This could impact government's expected revenue and the subsequent economic growth in reviving the country's outlook, leaving the country to depend on services sector such as tourism sector and agriculture. The country's development plan also remains with the economic performance of China and Thailand, which happen to be the major trading partners of Lao.

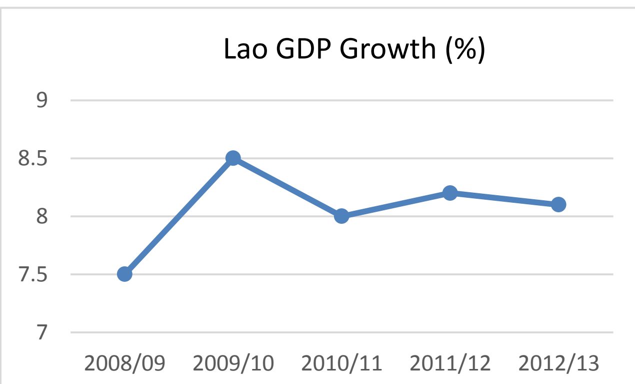

Figure 5: Lao GDP Growth (%)

Lao economic growth in financial year 2012/13 was at 8.1% where it declined by 0.1% compared to 2011/12. Growth during the period was fueled by vibrant resources and service sector, continued foreign investments in hydropower and accommodative monetary policies.

Services sector had expanded by 9%, underpinned by an increase in consumer spending as well as buoyant tourism sector, with tourist arrivals up by 12% reaching to reach 3.8 million in 2013. China, used to be Lao's top market in 2012 with 190,000 tourists, has now been overtaken by Thailand, recording 1.9 million visitors in 2013.

Contributions from mining sector have declined mainly due to volatile commodity prices. On the other hand, a better performance was recorded in the agriculture sector despite heavy flood that hit the country in the third quarter. For FY 2013/14, Lao is projected to record a lower economic growth of 7.2%. Soft performance in the mining sector continued with lower growth projected in the main economic partners are among the factors to be blamed.

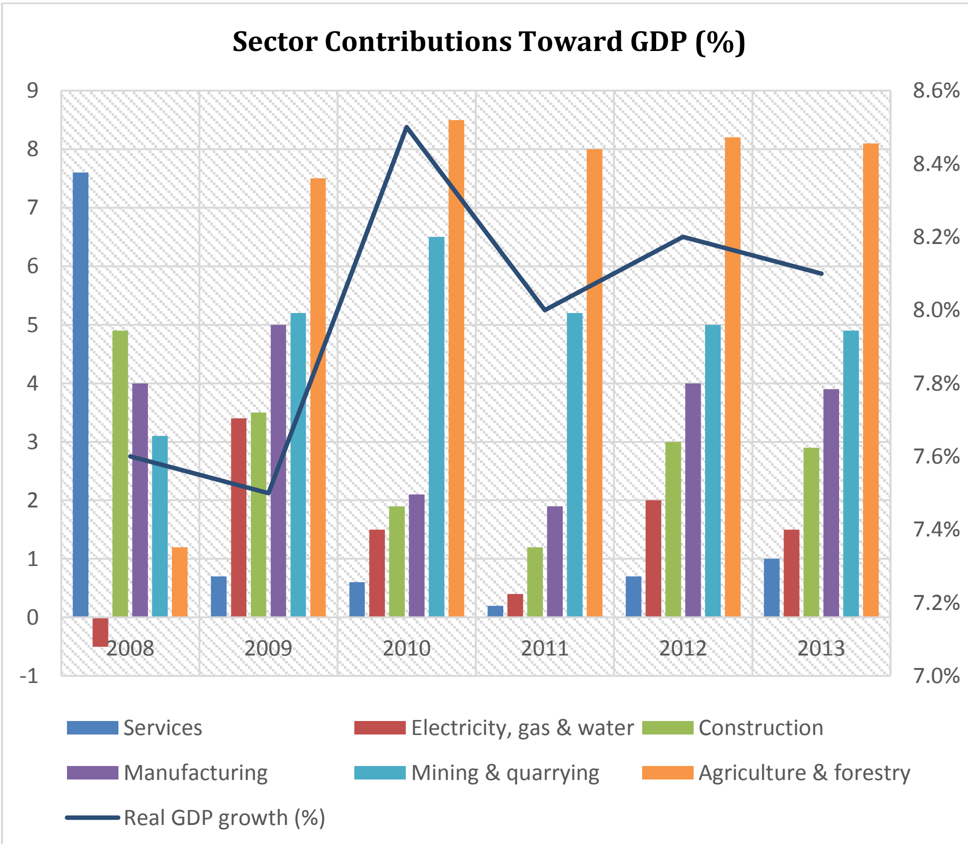

Figure 6: Sector Contributions Toward GDP (%)

The country's trade balance remains in a deficit amounting to USD755.74 million in 2013. Imports were primarily led by the importation of investment goods amounting to USD3.02 billion, a 7.95% increase from the previous year. On the contrary, Lao exports are relatively driven by its mining, hydropower and agriculture sector with total exports reached USD2.26 billion in 2013, which modestly declined by 0.30% from 2012 due to lower commodity prices.

Destinations of Exports, Origin of Imports and Principal Imports & Exports 2012			
Main Destinations of Exports	% of Total	Main Destinations of Imports	% of Total
Thailand	32.8	Thailand	63.2
China	20.7	China	16.5
Vietnam	14	Vietnam	5.6
India	3.7	South Korea	2.9
Japan	3.3	Germany	2.5
Principal Exports 2012	% of Total	Principal Imports 2012	% of Total
Mining products	41.8	Consumption goods	48.1
Electricity	22.1	Investment goods	47.8
Agri. products	9.7	Electricity	2.6
Garments	8.1	Garment raw materials	0.8

Table 12: Destinations of Exports, Origin of Imports and Principal Imports & Exports 2012

Compared with other South East Asian countries, the balance of trade between Malaysia and Lao is relatively small. However, it is anticipated that this year's trading position with Lao will be better arising from stronger balance of trade position reported in the first half of 2014. Based on the current trade performance, Malaysia is expected to continue to be a net exporter to Lao over the medium term.

Malaysian Trade Statistics With Lao (RM mil)			
	Total Export	Total Import	Balance of Trade
As at 2013	72	4	38
January - June 2014	45	2	43
June 2014	8	1	-

Table 13: Malaysia Trade Statistics with Lao

Country-Specific Information

Official name	Lao People's Democratic Republic
Form of state	One party ruling (Lao People's Revolutionary Party (LPRP)
Head of state	President Choummaly Sayasone
Prime Minister	Thongsing Thammavong
National elections	Next due in 2016
Capital	Vientiane
Real GDP growth (2012)	7.9%
GDP (2013)	USD11.14 billion
Land area	236,800 sq. km
Population	6.8 million
Exchange rate	USD1 : Kip8043

Table 14: Brief overview of Lao Socio-Economic Status

Selected SWOT Analysis

Strength

- The one-party rule system under Lao People's Revolutionary Party is relatively stable as the current regime is not expected to face a serious challenge. The next general elections are not due until 2016 and the party is expected to return into power with another massive majority.
- In FY 2012/13, revenue (excluding grants) achieved Kip 15,929.06 billion, equivalent to 19.86% of GDP, which increased by 28.17% compared to the previous fiscal year (Figure 3). Tax revenue rose by 15.97%, to 59.64% of total revenue as a result of ongoing reforms of the tax system and administration.
- Lao's inflation in 2013 was in line with the World Bank's expectations of 6% to 7% with annual consumer prices averaged at 6.4%. Improved food supplies have minimized the inflationary pressures with inflation taming down to 3.7% as of July 2014.
- Lao's foreign direct investment has increased marginally to USD296 million in 2013, compared to the previous year of USD294 million. A bulk of Lao's foreign investment is dominated by the hydropower sector, accounting 54% of total FDI between 1989-2008.
- Export of hydropower will be the main contributor to the country's future income underpinned by government spending commitment into the sector.

- Expansion of the banking sector network has provided access to financial services especially for the SMEs business.

Weakness

- As of 2012, foreign reserves covered only 1.2 month of the nation's imports, which is relatively low compared to other Southeast Asian low income countries such as Myanmar and Cambodia at 2.2 months and 3.6 months respectively. The reserves could come under pressure should import continue to remain high.
- Existing issues such as the widening income gap, food security and land-leasing policies that could become a source of social discontent.

Opportunity

- Investment support from China, Thailand and Vietnam into Lao hydropower sector is expected to reach an estimated USD11.3 billion in the medium term.

Threat

- Lao's development plan is tied to the economic performance of China and Thailand, which happen to be its major trading partners.

Major infrastructure and construction projects overview

Lao currently exports two-thirds of the 3200MW of hydropower it generates and has another 6000MW under construction. Hydropower exports have played a defining role in supporting the startup and growth of Lao's energy industry, in line with the government's determination of making Lao "The Battery of Southeast Asia". The project sees its growth relatively supported by export sales to neighboring countries. Net government revenues from the hydropower exports are expected to grow from USD100 million in 2011 to approximately USD350 million by 2020. The success of the power sector is attributed by the National Electrification Program that focuses on the national and rural development of the power sector.

New Major Power Projects in Lao				
Name	Location	Capacity	Market	Ownership
Nam Theun 2	Bolikhamxay	1088	95% Export (Thailand)	LHSE (Lao) 25% EDF (France) 35% EGCO (Thailand) 15% ITD (Thailand) 15%
Xeset 2	Saravane	76	20% Export (Thailand)	EDL
Nam Nhone	Bokeo	3.5	Domestic	EDL
Nam Lik 1-2	Vientiane	100	Domestic	EDL 10% China International Water & Electric Corp 90%
Tatsalen	Savanakhet	3.2	Domestic	SIC Manufacturer (Thailand) 100%
Xekaman 3	Sekong	250	90% Expoert	EDL 15% Viet-Lao Power Investment & Development Joint Stock 85%
Nam Ngum 5	Vientiane	120	Domestic	EDL 15% Sinohydro 85%
Nam Ngum 2	Vientiane	615	100% Export (Thailand)	EDL 25% Ch. Kanchang PLC 25% Bangkok Expressway PLC 12.5% Shiapak Development Company (USA) 4% PT Construction & Irrigation Co. Ltd (Lao) 4% Team Consulting Engineering & Management Co. Ltd (Thailand) 1%
Theun-Hinboun Expansion	Bolokhamxay	220+60	88% Export (Thailand)	EDL 60% Nordic Group (Norway) 20% MDX (Thailand) 20%

Table 15: New Major Power Projects in Lao

Financing

Credit growth over GDP increased from 29.5% in 2011 to 35.15% in 2012 of which financial institutions have provided a total loan of Kip 25,566.00 billion to the economy. Most of the lending activities were distributed to the commerce, construction and services sector, with construction sector recorded the highest growth of 91%, in line with the government's development plan. Lao recorded a government debt to GDP of 62.03% in 2013 arising from the continued development of government mega projects.

Subsequently the total debt position is expected to increase further as the government is still in the process of completing the ongoing projects that are to bring future income to the country. In the same year, Lao recorded an external debt outstanding of USD 4,174.05 million, which rose by 5% year on year to 39.52% of GDP. The external debt consisted of bilateral debt 53.71% and the multilateral debt 46.29%. Increase in the export of power to the neighboring countries over the medium term will further improve the country's debt service position.

Bilateral relationship between Malaysia and Lao in the construction industry

Participation of Malaysian construction-related companies in Lao

Status of project	No. of project	No. of contractors	Total Value (RM)
Completed	1	1	2,850,000.00

Table 16: Summary of Projects Secured by Malaysian Companies

Based on CIDB's database, currently there is only 1 project that has been undertaken by a Malaysian company in Lao. Salcon Engineering Berhad has been commissioned for the design, fabrication, supply and supervision of installation of $400m^3$/hr Lamella Clarifier System. The project was completed in December 2013.

Participation of Lao construction-related companies in Malaysia

Based on CIDB's database, currently there is no project undertaken by any Lao contractor in Malaysia.

VIETNAM

Overview

Vietnam's economic growth is expected to stay at around 6.0-6.2% in 2015 and 6.5% in 2016, underpinned by further recovery in domestic demand, in turn reflecting robust private Consumption and investment growth. Despite recent loosening of monetary policy, inflation is expected to remain low on account of low global energy and food prices. The fiscal deficit is expected to start adjusting through consolidation efforts to avoid further increases in public debt. Trade surplus is expected to narrow significantly this year due to a combination of weakening exports and sustained import growth due to stronger domestic economic activity.

Although Vietnam's growth is promising, the short term risk must be highlighted. On the external front, global growth remains sluggish and subject to much uncertainty, with important implications for Vietnam through its significant trade linkages. Furthermore, weak global prices of rice and other agricultural products may adversely affect rural household income and consumption. On the domestic side, a credible medium-term fiscal consolidation plan together with an equally credible plan to strengthen the finances of the SOEs and state-owned banking sector would remain crucial to ward off pressures on public debt and boost private sector's confidence.

GDP growth continued to accelerate to 6.3% during the first half of 2015, the fastest first-half-of-the-year growth rate in the past five years. The growth was driven by strong activity in manufacturing and construction, which grew by 9.9% and 6.6% respectively, together contributing nearly half of the overall GDP growth. Domestic demand remained the main driver of economic growth in first half of the year. Private consumption is picking up strongly reflecting improved consumer sentiment which is boosted by low inflation and buoyant real wages.

GDP Growth by Sector	2012	2013	2014	1H15
Total GDP	5.3	5.4	6	6.3
Agriculture	2.7	2.7	3.5	2.4
Manufacturing	5.8	7.4	8.5	9.9
Construction	3.3	5.9	7	6.6
Services	5.9	6.6	6	5.9

Table 17: GDP Growth by Sector

Malaysia-Vietnam bilateral trade totaled at around USD9 billion over the last two years. Imports from Vietnam were recorded at USD4.6 billion in 2014, a decrease of 8% from USD5.0 billion in 2013. Exports to Vietnam came up to USD4.4 billion in 2014, an increase of 5% as compared to USD4.2 billion in 2013. Malaysia exported mainly animal, vegetable fats and oils, machine and instruments, chemical and chemical product to Vietnam.

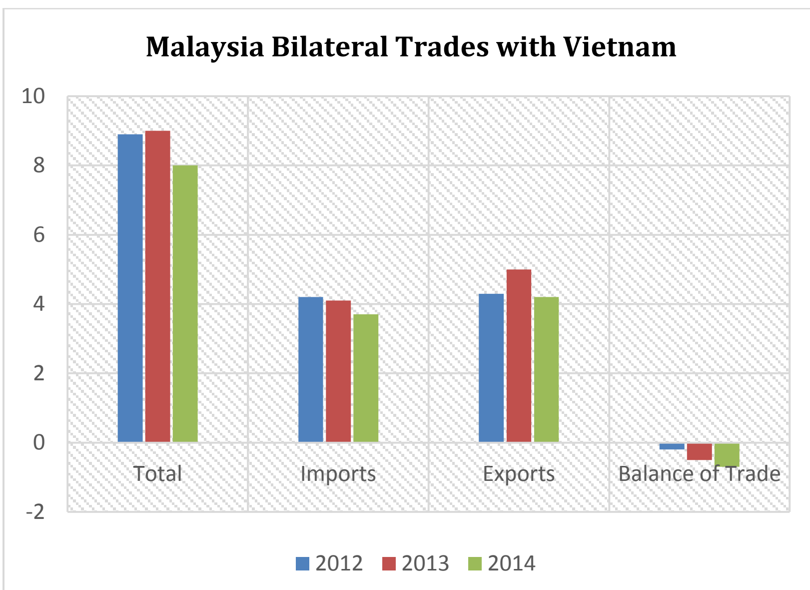

Figure 7: Malaysia Bilateral Trades with Vietnam

Country-Specific Information

GDP (2014)	USD185.8 billion
GDP growth (2014)	6.0%
GDP per capita (2014)	USD2,010
Government	Communist Party
Head of State	Truong Tan Sang
Capital	Hanoi
Population (2014)	92.5 million
Inflation	1.00% (June 2015)
Unemployment rate	2.4% (Sept 2015)
Exchange Rate (Viet Dong : USD)	VND22,492 : USD1 (as at 24 Nov 2015)
Foreign exchange reserves	USD38 billion

Table 18: Brief overview of Vietnam Socio-Economic Status

	Global Competitive Index 2015/16	Ease of Doing Business 2015	Global Enabling Trade Index 2014	Corruption Perception Index 2014
Vietnam	56	78	72	119
Malaysia	18	18	25	50

Table 19: World's Ranking: Vietnam vs Malaysia

Foreign Direct Investment (FDI)

The majority of FDI flows into Vietnam come from Asian countries. The top three countries are Japan (19%), followed by Singapore (16%), then South Korea (16%). In 2014, total FDI flows worth USD9.2 billion compared to 2013 of USD8.9 billion (+3%). Manufacturing sector account for 70% of the total USD84.8 billion attracted by Vietnam between 2011 and August 2015. The short to medium-term outlook for FDI in Vietnam still looks positive as production-centric labor costs in Vietnam are lower than Malaysia, Thailand, Philippines, and equitable with Indonesia.

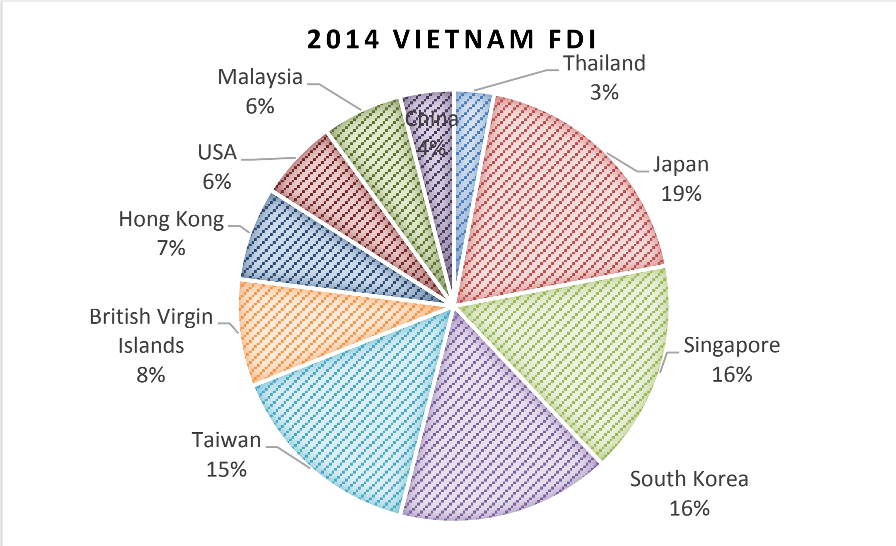

Figure 8: 2014 Vietnam FDI

Major Trading Partners

Figure 9: Major Trading Partners

China remained the top trading partner for Vietnam in 2014 (30%), followed by the United States (18%) and South Korea (14%). It appears that China's economy hasn't bottomed yet and downward pressures are mounting. Going into 2016, there may be some negative impact from the slowdown in Chinese growth, being the largest export and import market of Vietnam.

Selected SWOT Analysis

Strength

- Short to medium-term outlook for FDI in Vietnam still looks positive as production-centric labor costs in Vietnam are lower than Malaysia, Thailand, Philippines, and equitable with Indonesia.
- Vietnam's government external debt has remained steady at around 38% of GDP for 2010-2014.

Weakness

- Resolution of bad debts remains a key issue of concern. Since its establishment in July 2013, the Vietnam Asset Management Company (VAMC) has absorbed a growing share of bad assets. By the end of 2014, about VND123 trillion in assets had been transferred to the VAMC of which it claimed to have resolved VND4.8 trillion. Efforts to resolve bad debts have also been hampered by the absence of an enabling legal framework for insolvency, asset titling, and seizure of collaterals.
- Total government debt has risen quickly from 49.7% of GDP in 2011 to around 53% of GDP in 2013-2014.
- The government has decided to raise the minimum wage in 2016 by up to 13%. Starting January 2016, the monthly minimum wage will be between VND2.4 million and VND3.5 million (USD107-156), depending on regions, whereby this translates into higher operating cost in doing business in Vietnam.
- Expansionary policy to avert a sharper down-turn, led to the fiscal deficit widening significantly from 1.2% of GDP in 2011 to 4.4% in 2014, as higher interest payments and large spending on administration and social costs continued to weigh on budget.

Opportunity

- Vietnam is in need to increase the use of other energy resources such as coal, natural gas, wind power and solar power to ensure sustainable electricity supplies and bolster power trading with Asian countries.

- Flow of Foreign Direct Investment (FDI) into Vietnam is still strong. The majority of FDI flows into Vietnam come from Asian countries. The top three countries are Japan (19%), followed by Singapore (16%) and then South Korea (16%).

Threat

- Weak global prices of rice and other agricultural products may adversely affect rural household income and consumption.
- There may be some negative impact from the slowdown in China's growth in 2016, which is the largest export and import market of Vietnam.

Financing

The State Bank of Vietnam has gradually loosened monetary policy to spur growth. With inflation falling to lower single digit, the Central Bank cut its refinancing rate by 50 basis points in 2014 from 7% to 6.5%. Interest rate cuts were underpinned by relaxation of macro-prudential measures and effort to reduce risk of non-payments for certain lending activities. This allowed banks to maintain low lending rates (typically in the range of 7%-13% p.a. depending on lending terms) which helped to stimulate credit growth to an estimated 14.2%, meeting the central bank's 12%–14% target for 2014.

The local currency plunged to VND22,492 to US dollar (as at 24th Nov 2015) due to rising volatility in international currency markets. Vietnam continues to operate a crawling peg system, aimed at helping exports and promoting foreign exchange market stability. Weakening trade balance and rising expectations of higher interest rates in the United States have exerted downward pressure on the Vietnamese dong in 2015. In response to a firmer US dollar and increased devaluation pressure from China, the State Bank of Vietnam devalued its currency thrice, in January, May and August 2015, widen the trading band to ±3%.

Bilateral relationship between Malaysia and Vietnam in the construction industry

Participation of Malaysian construction-related companies in Vietnam

Status of project	No. of project	No. of contractors	Total Value (RM)
Completed	26	16	3,053,293,600.00
On-going	1	1	70,000,000.00
TOTAL	27	16	3,123,293,600.00

Table 20: Summary of Projects Secured by Malaysian Companies

Based on CIDB's database, Malaysian construction-related companies have managed to secure 27 projects amounting to USD 918.2 million in value. 26 of the projects fall have been completed while the remaining 1 is still ongoing. These projects involve various sectors such as building, M&E, oil & gas, water treatment system and power transmission works; and undertaken by major companies such as LFE Engineering Sdn Bhd, Ireka Engineering & Construction Sdn Bhd, Gamuda Berhad, Salcon Engineering and Ranhill Bersekutu Sdn Bhd.

The biggest project so far was the one undertaken by Gamuda Berhad. which is for the design and construction of sewerage treatment plant at Yen So Park in Thant Tri District South Hanoi, Vietnam, valued at USD 390 million. The project was completed in March 2012.

Participation of Vietnam construction-related companies in Malaysia

Based on CIDB's database, currently there is no project undertaken by any Vietnam contractor in Malaysia.

BRUNEI

Overview

Brunei is governed as a well-entrenched autocracy, under the personal rule of the sultan, Hassanal Bolkiah Mu'izzaddin. The sultan recently moved to entrench his control over the government, and, consequently, it remains extremely unlikely that even a minor liberalization of the state is being contemplated. This is partly because the sultan does not face popular pressure to introduce democracy, as all Bruneians benefit in some form or another from the country's oil wealth, which allows the government to provide a wide range of benefits to the population without levying an income tax.

No direct elections are expected in 2016-17 and the Sultan will continue to monopolize political power. Brunei will remain actively engaged in international relations, particularly through its membership of the Association of South-East Asian Nations. Brunei will also be one of the founding members of the Trans-Pacific Partnership trade deal, which is currently in the works and may be launched late in the 2016-17 forecast period.

	Brunei				**Malaysia**			
	2014	**2015f**	**2016f**	**2017f**	**2014**	**2015f**	**2016f**	**2017f**
GDP growth (%)	-1.5	-0.5	2.9	3.4	6.0	4.8	4.9	5.0
GDP Value (USD billion)	16.8	16.7	17.0	17.3	338.0	289.0	312.0	338.0
GDP Per Capita	40,858	39,886	39,955	39,931	11,266	9,633	10,400	11,275
Current account balance (USD billion)	3.6	-1.1	-0.7	0.1	11.7	10.4	9.4	9.4
Balance of payment (USD billion)	N/A	N/A	N/A	N/A	-18.8	7.7	10.7	10.5
Government budget to GDP ratio (%)	3.3	-15.7	-6.9	-2.9	-3.5	-3.2	-2.6	-2.5
Government Debt to GDP ratio (%)	2.3	2.3	2.2	2.2	53.4	52.9	51.6	50.0
Total External debt to GDP ratio (%)	N/A	N/A	N/A	N/A	69.4	69.5	67.3	63.9
External debt To export service ratio (%)	N/A	N/A	N/A	N/A	12.0	12.2	11.9	11.2
Foreign Exchange Reserves, (USD billion /Months of import)	3.3	3.1	3.2	3.3	116.0	124.0	135.0	145.0
	N/A	N/A	N/A	N/A	(5.6)	(5.6)	(5.7)	(5.7)

Foreign Direct Investment (USD billion)	0.6	N/A	N/A	N/A	11.1	11.0	11.5	12.9

Table 21: Brunei & Malaysia Key Economic Data

Policy trends

Brunei's need to diversify away from excessive reliance on the oil and gas sector will be clear in 2016-17 as the large and so far sustained fall in global energy prices, compared with those prevailing in the first half of 2014, serves to sustain a rare large deficit in the budget. This will not be an immediate problem, as Brunei has huge fiscal reserves to draw on, but the longer that oil and gas prices remain low, the more questionable it will be to maintain spending levels. Sources of public revenue outside the oil and gas sector are tiny, as plans to encourage the development of non-energy sectors of the economy by attracting a few large investments to the sultanate have failed, so far, to establish significant alternative drivers of economic growth.

An energy white paper released in March 2014 outlined the sultanate's strategy to stave off a natural decline in oil and gas production over the next 20 years by using modern oil-recovery techniques. The white paper set a target for average annual real-terms growth of 6% in value added in the energy sector in the period to 2035. However, it was short on details regarding policy measures that could be introduced to encourage higher investment in the energy sector, and The Economist Intelligence Unit believes that production growth is unlikely to hit the targets mentioned in the document.

Economic growth

Headline GDP growth will remain closely linked to the performance of the oil and gas sector, which accounts for the bulk of Brunei's economy. There has been a small improvement in the publication of Brunei's national-accounts data, which appear now to follow a pre-announced timetable. Data for the second quarter show that positive economic growth was resumed on the back of a steadying in the oil and gas sector.

However, the pace of growth was insufficient to offset fully the large negative number published for the first quarter, holding back real GDP growth in 2015 as a whole to an estimated 0.3%. In 2016 and 2017 small increments in the industrial sector (largely oil and gas) will allow GDP growth to firm to 1.2% and 1.3% respectively.

Inflation

Brunei is reliant on imports for a large range of goods, including food, and is therefore exposed to global price trends. After falling in 2015, global food and fuel prices will rebound in 2016 and 2017, lifting local consumer prices by 0.2% and 0.4% respectively. The currency peg to the Singapore dollar helps to prevent swings in local price levels, and a range of price subsidies available in Brunei support price stability too.

Exchange rates

The Brunei dollar is fixed to the Singapore dollar at parity. In general, the currency peg has served Brunei well, aligning monetary policy with Singapore's well-managed economy and preventing surges in the value of the Brunei dollar as a consequence of the sultanate's general tendency (likely to be reversed over the forecast period) to record large current-account surpluses. Without the currency link, the sustained decline in global oil prices might well have put considerable downward pressure on the value of the Brunei dollar, with the knock-on effect of pushing up import prices and, ultimately, local consumer prices.

A change in the currency peg is not expected over the forecast period. The Brunei dollar, tracking the Singapore dollar, is forecasted to depreciate from Br$1.38 : USD1 on average in 2015 to Br$1.42 : USD1 in 2016, when the US currency will climb against most emerging-market currencies, before a slight appreciation to Br$1.38 : USD1 on average in 2017.

External sector

The expected partial recovery in global crude oil prices in 2016-17 will be accompanied by further declines in liquefied natural gas (LNG) prices. As LNG accounts for a higher proportion of the value of Brunei's exports, this will limit the recovery in goods exports, while rising goods imports serve to prevent an improvement in the overall merchandise trade surplus. Balance-of-payments data are not up to date, but it is believed that the current account will fall into a small deficit in 2015, as the goods surplus is offset by deficits on the services and secondary income accounts, and that a small current-account deficit will be recorded in 2016 and 2017. Brunei will remain dependent on imports of a wide range of products, reflecting the sultanate’s small domestic manufacturing base.

Selected SWOT Analysis

Strength

- Brunei has huge fiscal reserves to draw on.
- Brunei has set a strategy to stave off a natural decline in oil and gas production over the next 20 years by using modern oil-recovery techniques.

Weakness

- Sources of public revenue outside the oil and gas sector are insignificant, as plans to encourage the development of non-energy sectors of the economy by attracting a few large investments to the sultanate have been unsuccessful.

Threat

- The expected partial recovery in global crude oil prices in 2016-17 will be accompanied by further declines in liquefied natural gas (LNG) prices. As LNG accounts for a higher proportion of the value of Brunei's exports, this will limit the recovery in goods exports.

Bilateral relationship between Malaysia and Brunei in the construction industry

Participation of Malaysian construction-related companies in Brunei

Status of project	No. of project	No. of contractors	Total Value (RM)
Completed	16	8	2,253,370,277.55
On-going	1	1	281,400,000.00
TOTAL	17	8	2,534,770,277.55

Table 22: Summary of Projects Secured by Malaysian Companies

Malaysia contractors have been awarded with 17 projects amounting to USD 799.2 million in value. 16 of the projects have been completed projects while the ongoing one is undertaken by Bina Puri Holdings Bhd., which is to propose the housing scheme, Infrastructure & 1,000 units of high Density development including the master planning at Kg. Lugu National, Brunei with an estimated cost of about USD 90.70 million and expected to be completed in June 2016. .

Participation of Brunei construction-related companies in Malaysia

Status of project	No. of project	No. of contractors	Total Value (RM)
Completed	1	1	84,612,265.00

Table 23: Summary of Projects Secured by Brunei Companies

To date, only one Brunei construction company, Sara Adinin Sdn Bhd has managed to secure a project amounting to USD 26 million in value. The project is to propose for a 25-story Hotel/Hotel Suites in Kota Kinabalu, Sabah. This project is expected to be completed in March 2016.

MYANMAR

Overview

The prospects for genuine democratic reform have improved following the victory of the National League for Democracy (NLD) in November 2015. The new parliament convened on 1 February 2016 and, on 15 March 2016, Htin Kyaw was elected as the first non-military president of the country since the Military coup of 1962.

Myanmar's re-engagement with the West should intensify under the NLD. Many Western countries, including the US, have suspended most of their sanctions owing to Myanmar's democratic transition. The relatively clean election in November 2015 should lead to stronger Western engagement. Already, the US government in December introduced a six-month license for American companies to skirt sanctions on trading with blacklisted businesses.

Nevertheless, ties with the West are unlikely to be without strains owing to long-standing concerns, such as Myanmar's ethnic and religious fissures and the army's still-central political role.

Policy trends

The NLD's well-established pro-democracy agenda has meant that it has faced little pressure to differentiate itself on economic matters. Nevertheless, the party plans to increase spending on healthcare and education, funded by tackling corruption and tax evasion and cutting yet to be specified ministries. Although difficult, it may even look to push for a redistribution of government spending away from the army if it fails to increase revenue substantially. The likely flood of additional foreign aid on the back of the clean ballot and the NLD's win should give the party greater leeway than the military-backed Union Solidarity and Development Party has had on fiscal policy.

Economic growth

The forecasts for headline real GDP growth have increased following the utilization of the historical national-accounts data published by the Asian Development Bank for fiscal year 2006/07 (April-March) and onwards. These figures show an economy growing at a much faster rate than previously estimated. Overall, Myanmar's real GDP growth is expected to accelerate in the forecast period, albeit now to 8.9% a year on average in 2016/17-2020/21, from an estimated 7% in 2015/16.

	Myanmar				**Malaysia**			
	2014	2015f	2016f	2017f	2014	2015f	2016f	2017f
GDP Growth (%)	6.4	6.6	7.1	7.5	6	4.8	4.9	5
GDP Value (USD billion)	56.7	63.1	65.8	71.3	338	289	312	338
GDP Per Capita	1112	1228	1269	1364	11266	9633	10400	11266
Current Account Balance (USD billion)	-3.1	-2.5	2.8	-3.5	11.7	10.4	9.4	9.4
Balance of Payment (USD billion)	1.5	0.5	0	0.3	-18.8	7.7	10.7	10.5
Government Budget to GDP Ratio (%)	-4	-4.2	-4.3	-4.3	-3.5	-3.2	-2.6	-2.5
Government Debt to GDP Ratio (%)	16.8	17.2	17.6	17.1	53.4	52.9	51.6	50
Total External Debt to GDP Ratio (%)	18	14	14.7	15.7	69.4	69.5	67.3	63.9
External Debt to Export Service Ratio (%)	3.3	2.9	4.1	4	12	12.2	11.9	11.2
Foreign Exchange Reserves, (USD billion/Months of Import)	4.5 (2.8)	5.1 (2.8)	5.1 (2.5)	5.1 (2.3)	116.0 (5.6)	124.0 (5.6)	135.0 (5.7)	145 (5.7)
FDI (USD billion)	2.6	3.3	3.6	4.6	11.1	11	11.5	12.9

Table 24: Myanmar & Malaysia Key Economic Data

Inflation

Although high base effects should see a one-off moderation in inflation to a revised projected average of 6.8% in 2016, from an estimated 9.2% in 2015, price increases will be higher on average in 2016-20. The combined effects of sustained currency weakness, continued monetization of an expanding budget deficit and fast growing domestic demand amid persistent infrastructure bottlenecks will contribute to average annual inflation of 7.4% in 2016-20, versus an estimated 5.3% in 2011-15.

Exchange rates

The Central Bank of Myanmar has taken steps since mid-2015 to stabilize the kyat, such as its most recent ruling, in December, requiring exporters and importers to go through banks for foreign-currency transactions. Although the kyat has regained some ground against the US dollar in recent weeks, a depreciating kyat will be hard to prevent in the long term given Myanmar's widening trade deficit. In addition, rising interest rates in the US will exert additional downward pressure, although inflows of tourist dollars and foreign investment will provide the kyat some cushion. The currency is projected to depreciate continuously from an estimated Kt1,163 : USD1 on average in 2015 to Kt1,402 : USD1 in 2020.

External sector

As a proportion of GDP, the current-account shortfall will widen from an estimated 2.6% in 2015/16 to 6.3% by 2020/21. Coupled with a persistent primary income deficit, the growing merchandise trade shortfall will push the current account further into the red. Merchandise import growth will accelerate as foreign-invested infrastructure projects drive strong demand for imported capital goods and raw materials.

Meanwhile, regional demand for Myanmar’s natural gas as new fields come on stream will underpin export growth, and rising tourism revenue will help to boost the surplus on the services account. Both will partially offset the increase in imports. The current-account deficit is forecasted to widen to USD6.1 billion by the year 2020. This expanding gap is unlikely to cause any significant balance-of-payments issues, as increasing inflows of foreign investment and aid are expected to finance the shortfall fully.

Selected SWOT Analysis

Strength

- The NLD government plans to increase spending on healthcare and education, funded by tackling corruption and tax evasion.
- Myanmar’s real GDP growth is expected to accelerate.
- The Central Bank of Myanmar has taken steps since mid-2015 to stabilize the kyat, requiring exporters and importers to go through banks for foreign-currency transactions.

Weakness

- Myanmar lacks adequate infrastructure.
- Energy shortages are common throughout the country including in Yangon and only 25% of the country's population has electricity.

Opportunity

- Regional demand for Myanmar’s natural gas as new fields come on stream will underpin export growth, and rising tourism revenue will help to boost the surplus on the services account.

Bilateral relationship between Malaysia and Myanmar in the construction industry

Participation of Malaysian construction-related companies in Myanmar

Status of project	No. of project	No. of contractors	Total Value (RM)
Completed	8	4	87,670,000.00

Table 25: Summary of Projects Secured by Malaysian Companies

Based on CIDB's database, Malaysian construction-related companies have managed to secure and completed 8 projects amounting to USD 25.35 million in value. These projects involve various sectors such as oil & gas, power transmission and geotechnical works; and undertaken by major companies such as Eastern Soldar Engineering & Construction Sdn Bhd, TNB Repair and Maintenance Sdn Bhd and Teroka Jaya Sdn Bhd.

Participation of Myanmar construction-related companies in Malaysia

Based on CIDB's database, currently there is no project undertaken by any Myanmar contractor in Malaysia.

PHILIPPINES

Overview

Philippines' economy was shielded from commodities prices slumped as Philippines is a net oil importer and it has a fairly well diversified economy. 91% of GDP is contributed by the services and Industry sectors which led by the trade and manufacturing industries. Philippines 2Q15 GDP growth has outperformed the region by growing at 5.6%.

Since 2010, Aquino's administration has pursued tax evaders and corrupt officials, allowing it to collect more revenue to build roads and schools and boost cash handouts to the poor, while shrinking budget deficits. Standard & Poor's has upgraded the Philippines' credit rating four times during Aquino's tenure and all of the three big ratings companies assess it as investment grade.

The robust pipeline of PPP shows that the government's continuing efforts to deliver viable and well-structured proposals that will attract investors to bring their business to the Philippines. Money sent home by Filipinos living abroad, which makes up about 10% of GDP, increased 5.6% to USD12.1 billion in the first half from a year earlier. Philippines as a rival to India in Business Processing Outsourcing industry has also expanded tremendously.

The Philippines' strong growth fundamentals, a large and growing English-speaking labor force, fiscal and monetary prudence and political stability will support the positive outlook on the country. For the next 5 to 10 years, Philippines will continue to be the Asian's next growth engine.

Country-Specific Information

GDP (2014)	USD284.6 billion
GDP growth (2Q15)	5.60%
GDP per capita (2014)	USD2,865
GDP contribution by sector (2Q15)	Services (60%), Industry (31%), Agriculture (9%)
Capital	Manila
Government Type	Republic
Legal system	Mixed of Civil, Common, Islamic, and Customary law
Head of state	President Benigno Simeon Cojuangco Aquino III
Population (2014)	100.1 million
Inflation rate (Aug 2015)	0.60%
External Debt (% of GDP) (2014)	27.30%
Currency	Philippines Peso
Foreign Exchange (5th Oct 2015)	PHP46.54 : USD1.00
Government Bond 10y	3.71%
Interest Rate	4%
Foreign Exchange Reserve (Aug 2015)	USD80 billion
Country Rating- International	S&P (BB B), Fitch (BBB-), Moody's (Baa2)

Table 26: Brief overview of Philippines Socio-Economic Status

Economic growth

The Gross Domestic Product (GDP) in Philippines was worth USD284.6 billion in 2014. The GDP value of Philippines represents 0.46% of the world economy. GDP in Philippines averaged USD65 billion from 1960 until 2014, reaching an all-time high in 2014.

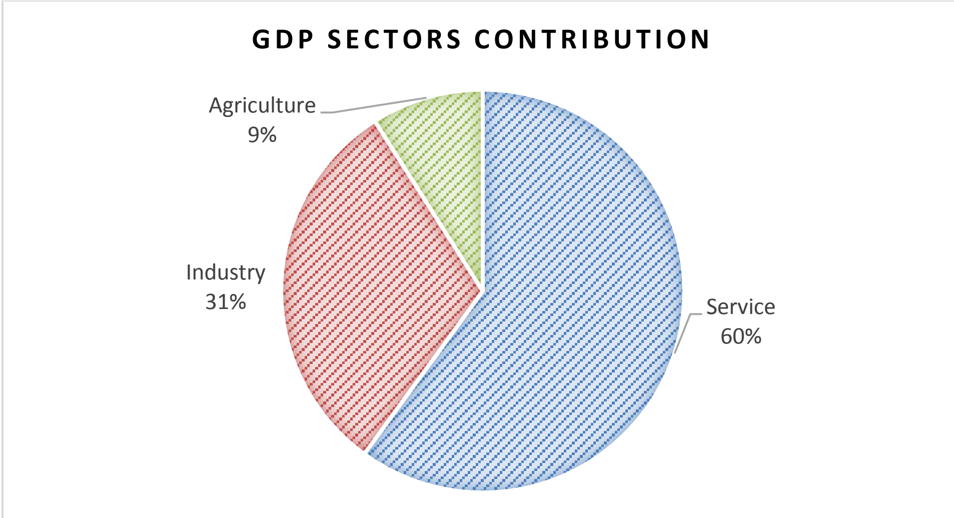

Figure 10: GDP Sectors Contribution

Philippines 2Q15 GDP growth has outperformed the region with the help of strong performance of industry and services sectors and robust government spending. According to the Philippine Statistics Authority, the 5.6% growth was mainly driven by the services sector, which accelerated to 6.2% from 5.9%.

Services are the biggest sector of the Filipino economy and account for 60% of total GDP. Within services the most important segments are: trade, repair of motor vehicles and household goods (18% of total GDP); real estate, renting and business activities (13%); transport, storage and communication (7%); financial services (9%) and public administration, defense and social security (4%); other services (9%). Industry accounts for 31% of GDP. Within industry, manufacturing (18% of total GDP); construction (8%); Electricity, gas and water supply (4%) and Mining (1%). Agriculture, Hunting, Forestry and Fishing contributes the remaining 9% of GDP.

External trade

The country's total external trade in goods in 2014 reached USD127.5 billion, expanding by 7% from USD119.1 billion in 2013. The positive growth of the external trade was due to the increase of both inward and outward trading of goods. Total imports went up by 4.8% to USD65.4 billion in 2014 from USD62.4 billion in 2013. Likewise, total export receipts accelerated by 9.5% from

USD56.7 billion in 2013 to USD62.1 billion in 2014. The country's balance of trade in goods registered a USD3.3 billion deficit in 2014 from USD5.7 billion deficit in 2013.

Major Trading Partners

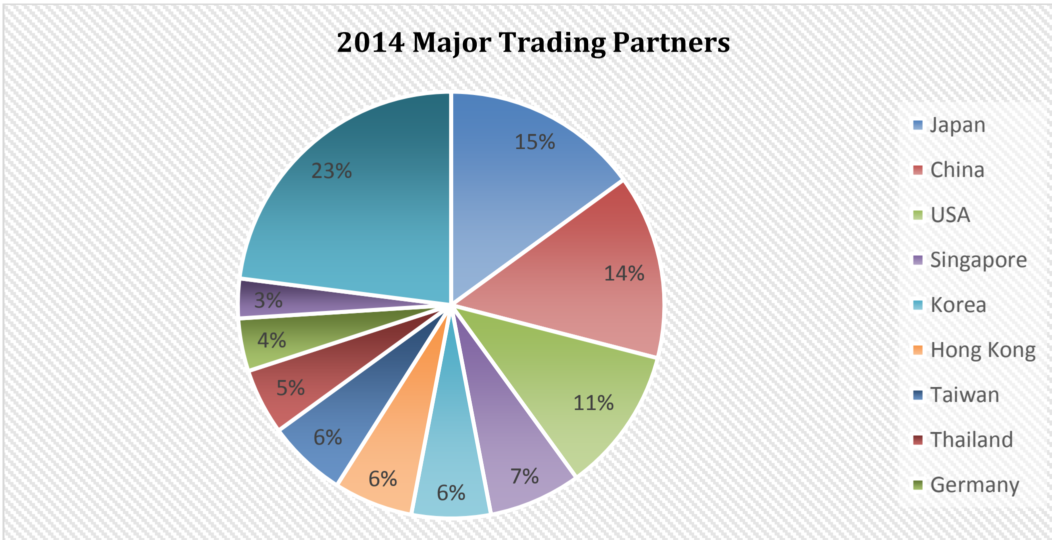

Figure 11: 2104 Major Trading Partners

Japan was the country's top trading partner in 2014, accounting for a total trade worth USD19.1 billion or 15% of the country's total trade. Electronic Products got a large share of 22.5% of the total exports to Japan, followed by Woodcrafts and Furniture at 21.7%. Majority of the imported products from Japan were Electronic Products contributed 32.6% and Transport Equipment with 17.7%.

People's Republic of China was the country's second largest trading partner with total trade worth USD18.4 billion or 14% of the total trade. Export-wise, the biggest sales came from Electronic Products and Other Mineral Products. Imported goods purchased from China consisted of Electronic Products and Minerals, Fuels, Lubricants and Related Materials.

United States of America placed third accounting for 11% or USD14.4 billion in total trade. Majority of the exports were Electronic Products and Articles of Apparel. Major inward shipments from USA were Electronic Products and Cereals and Cereal Preparations.

Singapore ranked as the fourth largest trading partner of the country with a total trade amounting to USD9 billion or a share of 7%. Electronic Products and Petroleum Products were the country's major exports to Singapore. The bulk of inward commodities from this country were Electronic Products and Mineral Fuels, Lubricants and Related Materials.

Republic of Korea was the country's fifth largest trading partner in 2014 with total trade worth USD7.6 billion or 6%. The major exported goods were Electronic Products and Other Manufactures. The main imports from this country were Minerals, Fuels, Lubricants and Related Materials and Electronic Products.

Major Exports

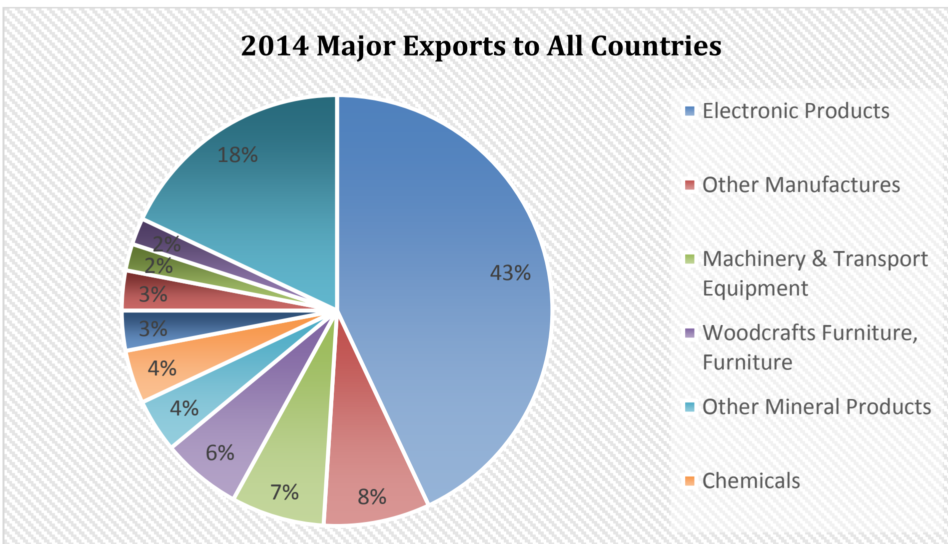

Figure 12: 2104 Major Exports to All Countries

Electronic Products continued to be the top earner and major exported commodity for 2014 with 43% of the total exports. Machinery and Transport Equipment contribute 7% while Woodcrafts and Furniture contribute 6%.

Major Imports

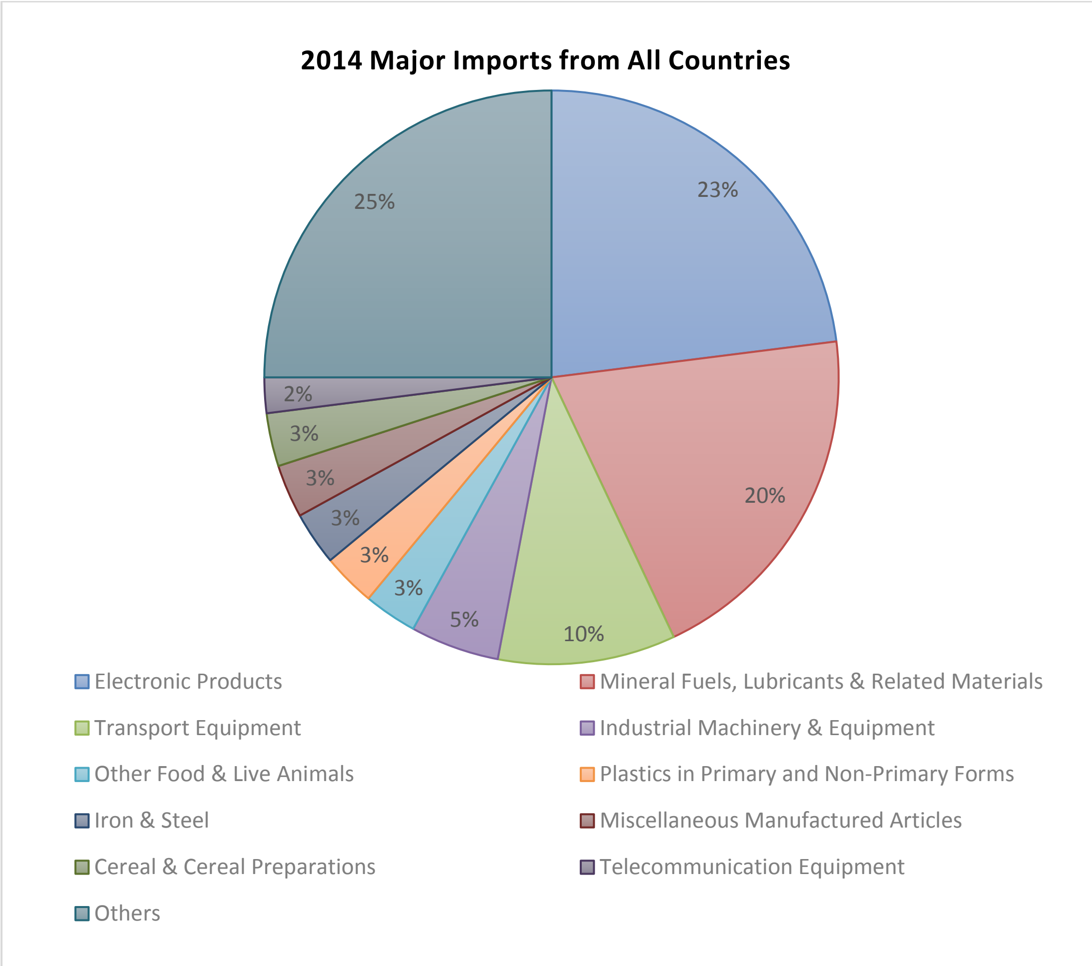

Figure 13: 2104 Major Imports from All Countries

Electronic Products remained as the top imported commodities for 2014, accounting for 23% of the total import bill. Mineral Fuels, Lubricants and Related Materials ranked second with 20% share. Transport Equipment which ranked third, comprised 10% of the total imports. Industrial Machinery and Equipment, ranked fourth, recorded a 5% share.

Bilateral trade

Malaysia is the top 10th trading partner of Philippines with major exports to Malaysia are electronic products and components, petroleum products, coconut oil, metal components, tobacco, processed tropical fruits, clothing, apparels and clothing accessories, woodcrafts, furniture and tuna. Malaysian exports to the Philippines which composed of electrical and electronic products, mineral fuels, lubricants and related materials, palm oil, vegetable oils & fats, processed food, industrial machinery and equipment, industrial chemicals, fertilizers and other manufactured goods. Malaysia's total exports to Philippines have increased to USD3.1 billion compared to 2013 of USD2.3 billion. (+35% yoy)

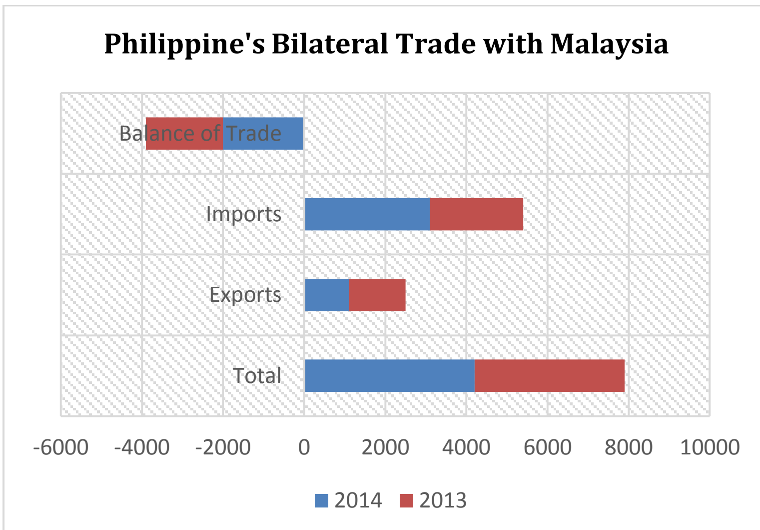

Figure 14: Philippine's Bilateral Trade with Malaysia

With stronger bilateral ties, renewed business confidence and stable economy in both Malaysia and the Philippines, the Minister of International Trade and Industry, Dato' Sri Mustapa Mohamed is optimistic on the potential growth prospects in trade and investment between the two countries.

Malaysian companies exporting to the Philippines can soon enjoy swifter export transaction following the introduction of the 'single reference list of all regulated imported products' by the Bureau of Customs (BOC) Philippines in April 2015. The list was introduced to ease any import/export transactions and at the same time protects both importers and exporters. The list contains information of over 7,400 regulated products ranging from basic commodities such as rice and sugar to vehicles, iron and steel products as well as oil and electronic goods. The list will be regularly updated and will be the basis for clearance to enter into the Philippines.

Most Malaysian companies that are looking into the Philippines would focus on products or services catering to domestic consumers, such as retail, food industries, health, roads, transport, water sanitation and sewerage infrastructure. Meanwhile, ASEAN, which is moving towards the formation of an ASEAN Economic Community (AEC) is expected to further generate interests among global investors. With the strong economic growth, increase of infrastructure spending, a young and rising middle-class population combined with a reform committed government, Philippines is an attractive destination for investments.

Large Malaysian Companies that Have Expanded To the Philippines
Malayan Banking Bhd
Petroliam Nasional Bhd
Genting Malaysia Bhd
MTD Capital Bhd's Alloy MTD Inc
Shangri-La Hotels Malaysia Bhd

Table 27: Large Malaysian Companies that Have Expanded To the Philippines

Inflation

Philippines inflation rate eased to 0.6% in August of 2015 from 4.9% a year ago. It is the lowest figure in more than two decades as cost of housing and utilities and transport declined further and prices of food and non-alcoholic beverages slowed. Aside from the steady and sufficient supply of food, inflation benefitted from reduced electricity prices due to lower fuel costs. The slackening of the inflation provides less pressure for interest rates to increase, and this bodes well for household consumption and further supports economic expansion moving forward.

Government debt

The total government debt to GDP ratio has declined to 45.4% in 2014 compared to year 2006 of 55.4%. External Debt-to-GDP ratio has also showed improvement, down from year 2010 of above 35% level to below 30% in 2014. The country's external debt has primarily been dominated by medium and long-term loans which consist of foreign borrowings with tenor of more than one year. The weighted average maturity for all medium- and long-term loan accounts stood at 20 years by end-2014.

It is significant to note that the government's total external debt are mainly long-term in tenor/nature with loans and bond and notes (88% of the total debt). Major external debt indicators such as external debt ratio has improved over the years and remained at prudent levels as of end-2014.

Governance

The Philippines ranked 85th out of 175 countries in the Corruption Perception Index (CPI) for 2014, an improvement from placing 94th last year. According to Transparency International, the Philippines got a score of 38 on a scale of 1 to 100. The CPI scores countries from 0 (highly corrupt) to 100 (very clean). Although the Philippines still belongs to the lower two-thirds of 175 countries with scores below 50, the data shows an improvement from the previous CPI especially when comparing 2014 and 2012. This was due to the noble effort by President Benigno Aquino who took office in 2010 vowing to fight the massive corruption that has long weighed down the Southeast Asian archipelago.

Philippine Development Plan (PDP) 2011-2016

The Philippine Development Plan (PDP), 2011–2016 translates the Social Contract with the Filipino People into strategies and programs. Three broad strategies will be employed to achieve inclusive growth: (i) attaining high, sustained economic growth through a stable macroeconomic environment, rapid growth of industry, investments in infrastructure, and curbing corruption and enforcing the rule of law; (ii) providing equal access to development opportunities by investing in human capital, especially in education, health, and other basic social services; and by levelling the playing field through improving access to infrastructure, credit, land, technology, and other productive inputs; and (iii) formulating effective social safety nets to ensure both the protection and the promotion of extremely vulnerable groups. Managing climate change adaptation and disaster risks and food security are key PDP priorities.

Major infrastructure and construction projects overview

<u>Philippines Infrastructure Projects/Public-Private Partnership (PPP)</u>

Philippines has completed 221 infrastructure projects under the PPP with a total value of USD70 billion. Despite challenges, Philippines government is committed to accelerate the country's infrastructure development underscoring the Aquino administration pledges to address the backlog in transportation infrastructure in the next 5 to 10 years.

Projects Awarded	Value
Daang Hari-South Luzon Expressway Link	P2.01 billion
PPP for School Infrastructure Project (PSIP) Phase 1	P16.43 billion
PSIP Phase 2	P3.86 billion
Philippine Orthopedic Center modernization	P8.69 billion
Ninoy Aquino International Airport Expressway	P15.86 billion
Automated Fare Collection System (AFCS)	P1.72 billion
Mactan-Cebu International Airport Expansion	P17.52 billion
LRT Line 1 Cavite Extension	P64.9 billion
Cavite-Laguna (CALA) Expressway	P55.51 billion

Table 28: Projects Awarded

Projects Yet To-Be Awarded	Value
Davao Airport	P40.47 billion
Laguna Lakeshore Expressway Dike	P122.8 billion
North-South Railway	P170.7 billion
Clark International Airport	P55.32 billion
NAIA Development	P74.56 billion
LRT Line 6	P65.1 billion
LRT Line 4	P42.89 billion
Davao Sasa Port Modernization	P19 billion
Regional Prison Facilities	P50.18 billion
Bulacan Bulk Water Supply	P24.4 billion
Iloilo Airport	P30.4 billion
Bacolod Airport	P20.26 billion
Laguindingan Airport	P14.62 billion
Batangas-Manila (Batman) 1 Natural Gas Pipeline	P11.78 billion

Table 29: Projects Yet To-Be Awarded

From February 2000, financial system risk infrastructure were streamlined when the Market Reforms Project was formalized as a collaborative effort between the Bangko Sentral ng Pilipinas (BSP), the Bankers Association of the Philippines (BAP), the Investment House Association of the Philippines (IHAP) and the Trust Officers Association of the Philippines (TOAP).

Key economic indicators

	Philippines			Malaysia		
	2014	2015f	2016f	2014	2015f	2016f
GDP Value (USD bil)	284.6	304.9	339.1	326.9	342.6	359.3
GDP per capita (USD)	2,865	3,046	3,388	-	-	-
GDP growth (%)	6.1	6.2	6.5	6	4.8	4.9
Current account balance (USD bil)	12.7	15.3	15.2	11.7	10.4	9.4
Balance of payment (USD bil)	-2.9	3.1	4.3	-18.8	7.7	10.7
Government budget to GDP ratio (%)	-2.1	-2	-2	-3.5	-3.2	-2.6
Total External debt to GDP ratio (%)	27.3	25.6	23.1	69.4	69.5	67.3
External debt To export service ratio (%)	8.7	7.8	10.6	12	12.2	11.9
Foreign Exchange Reserves, (USD bil /Months of import)	79.5 (9.9)	81.7 (10.3)	84.5 (-)	116 (5.6)	124 (5.6)	135 (5.7)

Table 30: Key Economic Indicators

Selected SWOT Analysis

Strength

- The Philippines has undergone a radical transformation: from a having a government that institutionalized corrupt practices, to one that provides public service founded on the principles of transparency, accountability, and integrity.
- The large number of youthful Filipinos will be a key factor for long-term economic growth prospects. Population with the age group of 0 years to 24 years contributed around 53% of their total population whereas the elderly only stands at 5% or less.

- The Philippine Peso is the region best performing currency, declining by 6.4% against the US dollar over the past year. Its foreign reserves had grown steadily from USD62.3 billion in 2010 to USD80 billion in 2015 which is enough to finance imports for 10.3 months.
- Insurance sector is regulated and banks are well capitalized as compared to 1998 financial crisis.
- The government, in coordination with the private sector, will formulate and implement the National Logistics Plan and will target to reduce the share of logistics costs (including shipping) in the cost of goods and services from 23% to 15% by 2016.
- The country will also promote investments in construction (e.g. infrastructure projects, mass housing and housing related materials, etc.). A strong public-private partnership will be pursued to effectively govern and monitor the sector.

Weakness

- The Philippines state remains weak, and the continued power of entrenched elites makes it difficult for the central government to provide cohesive and non-corrupt leadership.

Opportunity

- ASEAN is moving towards the formation of an ASEAN Economic Community (AEC) and this is expected to further generate interests among global investors. As a member of ASEAN with a strong economic growth, increase of infrastructure spending, a young and rising middle-class population combined with a reform committed government, the Philippines is seen as an attractive destination for investments.

Threat

- China economy slowing down, the normalization of the US monetary policy and lower commodity prices increased investors' uncertainty over the market directions.

Bilateral relationship between Malaysia and Philippines in the construction industry

Participation of Malaysian construction-related companies in Philippines

Status of project	No. of project	No. of contractors	Total Value (RM)
Completed	22	9	1,080,310,000.00

Table 31: Summary of Projects Secured by Malaysian Companies

Based on CIDB's database, Malaysian construction-related companies have managed to secure and completed 22 projects amounting to USD 308.66 million in value. These projects involve various sectors such as building, highway M&E, heavy engineering and structural frame works; and undertaken by major companies such as MTD Construction Sdn Bhd, Mersing Construction & Engineering Sdn Bhd, LFE Engineering Sdn Bhd, Eversendai Energia Sdn Bhd and UEM Builders Berhad.

The biggest project was the one undertaken by MTD Construction Sdn Bhd. which is for the rehabilitation and upgrading of South Luzon Expressway Project (SLEX) at Alabang Calamba Section, 27.4 KM and valued at USD 97.74 million. The project was completed in September 2009.

Participation of Philippines construction-related companies in Malaysia

Based on CIDB's database, currently there is no project undertaken by any Philippines contractor in Malaysia.