

CHAPTER 1

INTRODUCTION

1.1 Background of Study

The construction industry has been playing an important role in meeting the expanding needs of the community for more and better physical infrastructure arising from population expansion and growing economic prosperity. Construction output is referred to as growth-initiating and growth-dependent (Drewer, 1980). As development progresses, the construction industry needs to satisfy the expansion and changes in construction demand. The construction industry makes up an important part of the Malaysian economy. Construction industry include sector which plan, design, conserve, demolish and repair various types of buildings and all civil engineering nature of the work, mechanical and work other field involved (Ofori, 1990). Construction industry product is different from other industrial products, it is not homogenous every each of it could be regarded as unique. It also large, could not be separated and very expensive, hereupon, buyers and sellers not many like other goods.

This cause construction work should precede certain locations that depend on demands. The Design outcomes or product also need to fulfil external influences that spacious including political, cultural, sociology and economy. Malaysia as a developing country focuses on rapid economic development. Thus construction industry play role that is important in realising aspiration to satisfy people's basic need. This is because construction industry had contributed between 3-6 percent in Gross Domestic Product (Hillerbrandt, 2000). Construction industry is most likely economic gauge that important in government management. Lange and Mills (1979) also referred construction industry as job generator that is potential. Government advised to allocate more expenses in construction industry to stimulate private sector investment. Construction industry is actual investment in economic whether inside civil engineering

construction, not residence or residence. It regarded as strategy component which boost aggregate demand for building and industrial. Investment volume change depends on stability policy through decision to reduce or increase upper expenses social service (Ofori, 1990). Construction industry sector in Malaysia is one of the national economic sectors that are major. Within 20 years ago, the contribution to Gross Domestic Product (GDP) product is within 3-6% per year. In that same period, construction industry recording the growth rate that is prominently high which is a double-digit growth for eight years from 1989-1996.

Development of construction industry is proportional directly with economy country. This due to project or construction activity involves high costs, only by good economic situation, recently our country liquid capital or cash flow that is sufficient to back this construction project. This provable by looking to construction industry growth during economic good home that is on year 1990 achieved highest growth of 19.1%. Meanwhile his growth during economic recession in year 1998 on the other hand is -23.0%. Construction industry achieve the best performance in 1995 with growth transfer new building property and existing totalled 15.8% and 34.1%. The most significant factor that affects all construction demand is the general economic situation and expectations about how it will change (Hillebrandt, 1993). In a buoyant economy with high and growing gross domestic product, a satisfactory balance of payments and a reasonable level of employment and with expectations of a continuation of this situation, then generally standards of living will be rising, consumer expenditure increasing and government will feel able to spend on improving services to the community. In a depressed situation, the whole position is reversed and less demand for construction will be created.

Since the condition, the performance and the prospects for the economy have implications for the industry, construction industry development should be considered in the context of a country's economic development. The construction can also provide a vast number of employment opportunities, from architects, engineers and surveyors, to estate agents, bankers and site foremen, construction workers, *etc.* Construction provides a steady and stable employment opportunity for the various people, including both professionals and less educated people.

1.2 Problem Statement

The economic cycles go up and down. For the construction industry, it is important to take into consideration before make a planning for designing a building. During good economic growth sector is suitable for the construction industry on the run. While the current economic downturn, it is very risky for construction activity rapidly. Through these studies, the risk in the construction industry can be in dodger current unstable economic situation.

1.3 Objectives of The Study

The main objectives that need to be analysed in this research are:

- i. To investigate the relationship between the construction industry and economic
- ii. To indicate the challenges by construction industry in Malaysia
- iii. To analyse the contribution of construction industry in Malaysia

1.4 Scope of Study

The scopes of this study are:

- 1) The case study will be conducted in Malaysia.
- 2) The data used in this research is from Malaysian economic and construction data.

1.5 Significant of Study

The significant study for this research is to achieve the main objective which is to study the relationship between the construction industry and the economy of Malaysian. Besides that, we are able to know the condition of economy in Malaysian. We also can know about type of construction in Malaysian and how much the construction in Malaysian can give effect to the economy in Malaysian. In addition by perform this research, we are able to gain some knowledge about contribution of construction to Malaysian economy and we can know about GDP percentage influenced by construction industry in Malaysian.