ABANDONED PROJECT THROUGH THE MEDIUM OF UNFAVOURABLE ECONOMIC CONDITION IN MALAYSIA

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I/We* hereby declare that I/We* have checked this thesis/project* and in my/our* opinion, this thesis/project* is adequate in terms of scope and quality for the award of the Bachelor Degree of Civil Engineering

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I hereby declare that the work in this thesis is based on my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at Universiti Malaysia Pahang or any other institutions.

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January 2019
ACKNOWLEDGEMENTS

I would like to forward my appreciation to my supervisor, Dr Nur Farhayu Binti Ariffin, and my panel Dr Omar and Dr Ahmad Tarmizi for their guidance and supports. I would also like to thank my academic advisor Madam Wafty Binti Ab Rahman for her positive supports and faiths in me throughout my study.

I would also like to forward my full gratefulness to Universiti Malaysia Pahang (UMP), and all of the staffs in the Faculty of Civil Engineering & Earth Resources for providing good facilities and the assistance during my study.

My sincere appreciation additionally reaches out to my fellow colleagues and other people have given help at different events. Their perspectives and tips are helpful undoubtedly. What's more, to wrap things up, I am appreciative to all my family and relatives.
ABSTRAK

Projek perumahan terbengkalai adalah masalah yang berlaku di dalam sektor perumahan di Malaysia yang telah dialami sejak tahun 1980-an. Maka kertas ini bertujuan untuk menonjolkan sebab-sebab dan kesan pertumbuhan ekonomi terhadap projek perumahan terbengkalai. Faktor-faktor yang berkaitan dengan pembubaran atau kegagalan projek boleh dikategorikan kepada risiko ekonomi, kewangan, undang-undang, pengurusan, yang berkaitan dengan sistem, dan risiko yang tidak diduga. Kajian ini mendedahkan impak utama projek perumahan terbengkalai yang berpunca dari kesan pertumbuhan ekonomi. Untuk tujuan ini, kajian ini akan mengkaji sejauh mana kesan kenaikan harga bahan mentah, harga upah buruh dan harga jentera pengangkutan terutamanya di Malaysia ke arah pertumbuhan bilangan projek perumahan terbengkalai

KATA KUNCI | Malaysia, projek rumah terbengkala, kos pembinaan
ABSTRACT

Abandoned of housing projects during construction is a prevailing problem that the housing sector in Malaysia has been experiencing since 1980s. This paper aims to highlight the causes and impacts of economic growth towards the abandoned housing projects. Factors pertaining to projects abandonment can be categorized into economic, financial, legal, managerial, system-related, and unforeseen risks. The study reveals main impacts of abandoned housing projects which is economic impacts. For this purpose, the study will look into how the extent of the impact of rising raw material prices, labor wage prices and transport machinery prices especially in Peninsular Malaysia towards the growth of number in abandoned housing project

KEYWORDS | Malaysia, abandoned housing project, construction cost
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CHAPTER 1

Introduction

1.1 Background of the study

The International Monetary Fund (IMF) on Tuesday 11 January 2018 raised its forecast for global growth to 3.6 per cent this year and 3.7 per cent in 2018. For both years, the outlook is up 0.1% point from the IMF’s previous forecast in July and would mark the fastest growth since 2010 meanwhile the world after the Great Recession of 2007-2009 and a debt crisis in Europe. China’s economy was slowing steadily, raising fears of economic fallout in the developing countries that supply raw materials to the world’s second biggest economy (South China Morning Post, 2017).

Growth in Malaysia accelerated through 2017 with year-on-year growth projected at 5.8% highest annual growth rate since 2014 and expected to remain strong, projected at 5.2% for 2018, reported by the latest Malaysia Economic Monitor, World Bank. Accelerated growth has been fueled by strengthening domestic demand, improved labor market conditions and wage growth, as well as improved external demand for Malaysia’s manufactured products and commodity exports. Capital expenditure has also increased due to higher private and public investment (Joshua, 2017). Inflation has a negative impact on the economy and the population of a country. High inflation rates
will increase people's living costs and this will reduce their living standards. The distribution of production factors is also inefficient and will affect the economy.

The increase in the price of essential goods has been a huge impact on the lives of Malaysians on a regular basis overall. The rise in price of this item directly contributes to a higher cost of living. By default, the higher the theoretical cost, the less power the consumer buys. For individuals, inflation will decrease true income and this situation will be serious if the rate of inflation or inflation rate is much higher than that the rate of increase in individual money income that will affect the buying power and the quality of their lives. The impact of the increase in prices has also affected the construction industry. Uncontrolled raw material price increases, raise of labor wage price, the different gaps in home price competition are some of the examples that are taking place.

Therefore, to overcome the issues, this study is focusing on finding out the real problems and situation affecting the indefinitely delayed construction project or abandoned construction buildings due to the economic growth.

1.2 Problem Statement

In real terms, the Malaysian construction industry registered an average annual growth rate of 10.7% during the review period (2011–2015). This growth was supported by the 10th Malaysia Plan 2011–2015, under which the government invested heavily in infrastructure, industrial parks and residential buildings. In 2010, the government relaxed policies for public-private partnerships (PPPs) with an aim to develop the country's infrastructure. Consequently, total private investment in infrastructure projects increased from 52.0% of the total infrastructure spending in 2010 to 64.0% in 2014. According to the Department of Statistics Malaysia (DOSM), the total construction value of civil engineering increased by 11.9% from MYR32.7 billion (US$10.0 billion) in 2014 to MYR36.6 billion (US$9.4 billion) in 2015. This was
preceded by annual growth rates of 1.2%, 14.5%, 54.1% and 16.3% in 2014, 2013, 2012 and 2011 respectively (Clare, 2017).

Over the forecast period (2016–2020), the Malaysian construction industry is expected to continue to expand in real terms, supported by the government's plan to improve the country's transport network and tourism infrastructure, and increase the volume of renewable projects (Clare, 2017). This shows the construction industry plays a very important role in the economy of a developing country including Malaysia. However, not all the construction projects are completed on time or ahead of schedule. It is common for construction projects to be delayed, or in the worst scenario even abandoned due to various reasons.

The construction project can be abandoned at any stage of the life cycle of construction and giving a notable amount of loss. Malaysian Property and Housing Developers Association (REHDA) vice-president Datuk FD Iskandar FD Mansor said the increase in house prices, especially under the category of affordable and luxury, could not be stopped because the industry players were increasingly depressed due to the rise in prices of building materials that were considered to be extreme critical. Iskandar said the crisis of rising prices of building materials had to be addressed immediately before the demand for the goods grew with major projects under the Ninth Malaysia Plan and corridor development projects.

In general, Goods and Services Tax (GST) also affect the construction industry. The additional of 6% for construction materials affect all players for example developer, contractor and also consultant. With the costs of overall sales increase, it will give effect to the whole project. In fact, the replacement of Sales and Services Tax (SST) with GST is intended to be revenue-neutral to the government's coffers, so in theory to consumers, this may represent a minimal effect to the of everyday goods and services prices.
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