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Higher demand for bricks in Johor

By ZAZALI MUSA

DEMAND for bricks – one of the main components in the construction of any building – was quite badly hit by the economic slowdown, but signs of improvement are showing, especially in Johor in recent months.

Major brick manufacturers in the state are now starting to receive orders from contractors and buyers, not only in Johor but also from Singapore.

Demand is also likely to get better in the second half of the year after a sluggish second half last year.



»What's important now is the swift implementation of the projects by the relevant government agencies« KIA LIM EXECUTIVE CHAIRMAN DATUK NG ENG SOS

The price for common clay bricks is now 25 sen to 27 sen each and it is largely determined by the location of the brick plants and the distance between them and the projects.

It was priced at 35 sen when crude oil price was at US\$110 per barrel in mid-2008 and also when demand for bricks started to decline.

Batu Pahat-based Kia Lim Bhd executive chairman Datuk Ng Eng Sos told *StarBiz* the Federal Government had played a crucial role in helping those affected by the current global economic downturn.

“The RM67bil economic stimulus package is helping to cushion off the effects faced by businesses and companies,” he said.

He said new public projects such as schools, hospitals, government staff quarters and police stations would help construction-related companies sustain their operations.

The private sector had already cut their spending in the second half of 2008 following the credit crunch in the United States and the financial crisis in Europe. The trend was likely to remain until year-end, he said.

Construction-related companies were pinning their hopes on public projects due to the softening of private and commercial projects, he added.

“What's important now is the swift implementation of the projects by the relevant government agencies.”

He said the company was also banking on the construction activities by both public and private sectors in Iskandar Malaysia to boost demand for its products.

Ng noted that several projects were already off the ground or would be implemented soon in the country's first

economic growth corridor despite the slowdown.

He said the assurance given by Prime Minister Datuk Seri Najib Razak that the Federal Government was committed to develop the area bode well for the construction sector in Johor.

Ng said demand for bricks from Singapore was also positive in recent months as there were several ongoing major public and private projects in the republic. "Traditionally, buyers from Singapore will choose brick manufacturers from Johor due to the long business relationship between the two areas and their close proximity," he said.

Kia Lim is one of the few major producers of facing, common and paver bricks in Johor and currently has a 30% market share in Johor and Malacca. The company markets 80% of its products locally and exports the rest to Singapore.

For the financial year ended Dec 31 (FY08), it registered net profit of RM3.65mil on revenue of RM59.6mil compared with a net loss of RM1.32mil on revenue of RM49.34mil in FY07.

Another company, Claybricks & Tiles Sdn Bhd, sees equal demand for its bricks from the public and private sectors in Johor for this and next year.

Managing director Dr Tang Hai Chiang said the supply of bricks was mostly localised as the product was sourced by buyers from the same states.

"It has to do with the logistic and transportation issues as these two factors could determine the price of bricks in the market," he said.

Claybricks & Tiles is the largest maker of fine quality clay products in Malaysia, producing 10 million bricks monthly at its plant in Kota Tinggi.

It produces facing bricks (60%) and common and paver bricks, and about 90% of its products are exported to Japan, Taiwan, Hong Kong, Singapore and the Middle East.

"Common bricks are essential items in the construction industry and I personally don't see any substitute," said Tang.

Like Ng, Tang said that demand for common bricks in Johor had improved much in the first half of 2008 and likely to get better in the second half.

Many did not know that the prices of bricks in the market were actually determined and controlled by building dealers and not the manufacturers, he said, adding: "The prices can fluctuate five to six times a year and they also depend on demand and supply."

However, Tang said the prices in Malaysia were still low and the export business was good because of the abundance of raw materials and low labour costs.

Tang said in the last 10 years there were about 400 common brick manufacturers in the country but 50% of them had

since closed down due to stiff competition. In Johor there are only 10 left now.

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