

A Comparative Review of Macroeconomic and Performance of the Construction Sector in Nigeria and Malaysia

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Abstract

Literature revealed the positive economic growth brought about by the construction sector output in the area of provision of relevant infrastructure and housing which had stimulated further development in other sector of the economy in some Asian countries, one of which is Malaysia. Coincidentally, Malaysia and Nigeria commenced a programme several years ago tagged “Vision 2020”, which aimed at transforming both countries into a developed and industrialized nation with one of the largest economy by the year 2020. This paper takes a comparative review of the macroeconomic environment in Nigeria and Malaysia with a focus on its effect on the growth of the construction sector (CS). To achieve this, economic data and published extant literature on the performance of construction sector and Vision 2020 of the two countries from the year 1960 to year 2020 were obtained. This study observed that the CS significantly contributed more steadily to Malaysia’s Gross Domestic Product (GDP) than that of Nigeria. Low manpower development, weak implementation of construction policy and low construction work volume were more prominent in Nigeria construction sector than Malaysia. There is the need for more investment in public and private infrastructures and manpower development so as to improve the Nigeria construction sector’s contribution to the GDP.

Keywords: Construction sector, Gross Domestic Product, Vision 2020, performance, Malaysia, Nigeria.

Introduction

The construction sector (CS) plays an important role in any country’s development. It establishes the infrastructure required for socioeconomic development while being a major contributor to overall economic growth. Construction output is referred to as growth-initiating and growth-dependent (Drewer, 1980; Rameezdeena and Ramachandra, 2008). It is germane to the development of developing nations and a major factor to the achievement of the much clamoured growth needed to be a developed nation. The importance of the CS in the economy necessitates its study, as does an understanding of how the sector responds to changes in the macroeconomic environment in different countries across time. The tremendous transformation of Japan, Hong

Kong, Korea, Singapore, Taipei capital of China, Thailand and Malaysia attest to the chain effect of the CS in countries macroeconomics (Madya, 2004; CIDB report 2008).

Malaysia and Nigeria are referred to as countries with developing economy (Yusoff *et al.* 2000; National Bureau of Statistics, 2014). Both countries had independence from their British colonial master in 1957 and 1960 respectively, and in 1963 they had their Federations established. Both countries' GDP growth rates ranged from 6% to 7% at a period, and they share the same economic goal, dubbed "VISION 2020," which aspires to transform both countries into developed and industrialized nations with one of the world's greatest economies by 2020 (Madya *et al.*, 2004;

Raza et al, 2014; Waziri and Bala, 2014). Literature and reports assessment on the growth score cards of the construction industry in Malaysia all agreed to the positive growth of construction industry in Malaysia and its impact on various sectors of the economy despite its numerous challenges (Madya et al 2004; Ofori, Ai, Lin and Tjandra 2011). This seemed not to be the case in Nigeria (Fagbenle, 2009; Windapo and Martins 2010). To this end, this paper assessed economic data on the CS contributions to Nigeria and Malaysia GDP from the year 1960 to 2019. It also reviewed the performance of the construction sector and Vision 2020 of the two countries. This is with the aim of highlighting the comparative performance and growth of the construction sector in the two countries and recommends how Nigeria construction industry can improve their performance based on the observed strength in the Malaysia construction industry.

Nigeria and Malaysia GDP and the Contribution of the Construction Sector

Agriculture was the core of economic activities in Nigeria in the 1960s to early 1970s then manufacturing activities and mining activities were at very low level of development while the country's participation in the external trade was informed by the level of activities in agriculture (Federal Office of Statistics, 1996). However the oil boom of 1970s led Nigeria to neglect its strong agriculture and light manufacturing bases in favour of an unhealthy dependence on crude oil. In 2000, oil and gas exports accounted for more than 98% of export earnings and about 83% of federal government revenue (Dantata, 2008). New oil wealth, the concurrent decline of other economic sector, and a lurch toward a statist economic model fuelled massive migration to the cities and led to increasing widespread poverty, especially in rural areas. A collapse of basic infrastructure and social services since the early 1980s accompanied this trend (Figure

1). In the year 2000, Nigerians per capital income had plunged to about one-quarter of its mid – 1970 high and below the level of independence (International Monetary Fund, 2014). Due to inflation in recent time, the GDP per capital income recently remain lower than it was in 1960. Nigeria had a labour force of about 45,000 people, with an unemployment rate of 24 percent and GDP per capita of \$2800 in 2012, respectively, while GDP per capita following the rebasing of the economy is around \$3,900. (NBS, 2014). It was noted that 67.1% of the total population lived below poverty line with less than \$2 per day (Nigerian Vanguard News, 2016).

Malaysia's economy earlier heavily depend on primary product such as rubber and tin but now has a performance rated as one of Asia's best. Real GDP grew by an average of 6.5% per year from 1957 to 2005. Performance peaked in the early 1980s through the mid-1990s, as the economy experienced sustained rapid growth averaging about 8% annually (Economy history of Malaysia, 2022). It was around this period that the GDP of Malaysia equalled and also overtook that of Nigeria as shown in Figure 1. High levels of foreign and domestic private investment played a significant role as the economy diversified and modernized (Choong and Lim, 2009). This is in contrast to Nigeria's very heavy dependence on crude oil for government revenue and export earnings (Karl, 2007). Malaysia had a labour force of 31.187 million in 2016 from a population of about 29 million in 2010 (World Bank Data, 2017) . It had a GDP per capital of \$296.235 billion in 2013 with 0.6% living below the poverty line in 2014 (World Bank Data, 2017). It was observed in 2014 that the Nigeria GDP computation did not take into cognisance the contribution of the entertainment industry significantly among others, this resulted in the rebasing of the GDP from 2010 (NBS, 2014). This may have been the reason why Figure 1 shows an increase in the Nigeria GDP in comparison to that of Malaysia from the year 2010.

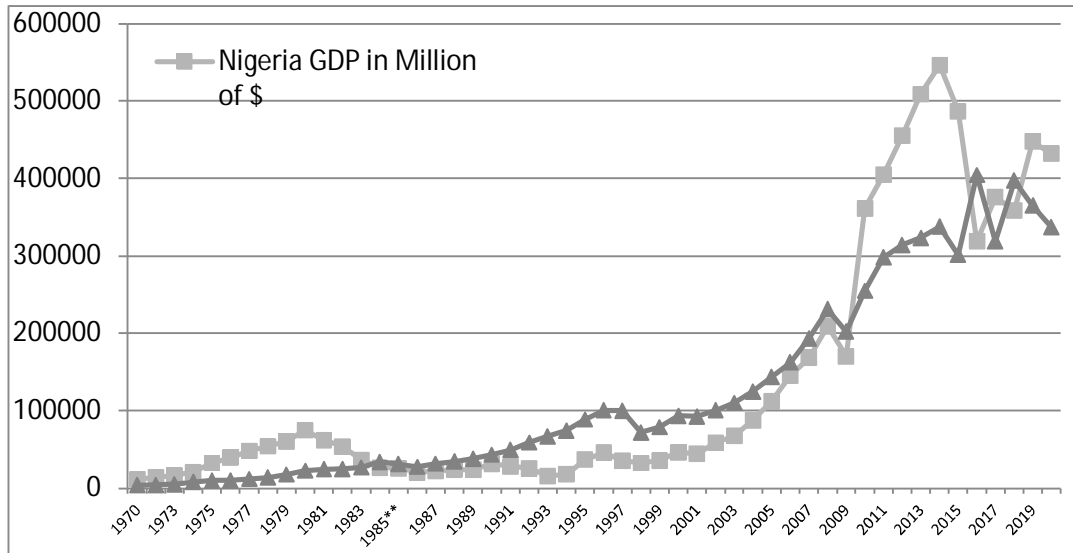


Figure 1: Chart showing Nigeria and Malaysia gross domestic product (GDP) from the year 1960 to 2020.

Source: World Bank national accounts data, and OECD national accounts data files (2022)

Percentage contribution of CS to the GDP of developed and developing countries are generally small (Dehdasht et al., 2021). However far more than its contribution to GDP, is its extensive linkage with and strong push to the rest of the economy. Hillebrandt (2000) observed that the most significant factor that affect all construction demand is the general economic situation and expectation about how it will change. The prescribed link between construction and national economy is such that any upset in the system is easily reflected in the national economy (Hillebrandt, 2000; Alaloul et al., 2021).

Data Presentation and Discussion
Data Collection and Analysis

Economic data on the contribution of construction to the GDP of Nigeria and Malaysia from 1960 to 2020 were collected from the Nigeria National Bureau of Statistics and Malaysia economic Planning Unit websites. Google scholar search engine was employed to extract extant literature

that borders on construction sector performance in combination with the Vision 2020 theme in Nigeria and Malaysia. This was done in order to achieve the study aim of identifying construction sector's comparative contribution to the GP of Malaysia and Nigeria. It was necessary to extract papers on construction sector performance with the Vision 2020 so as to link the period of the reported performance to the period of the economic data collected for the study. Descriptive analysis was used to obtain relevant inferences.

Comparative analysis of construction sector contribution to GDP

Table 1 showed 10 years average annual GDP and construction sector percentage contribution to the GDP of Nigeria and Malaysia in the year 1960 to 2019. Figure 2 graphically shows a comparison of the contribution of CS to both countries GDP in percentages.

Table 1 : 10 Years Average Annual GDP and Construction Sector share for Nigeria and Malaysia (1960 -2019)

Period	Nigeria GDP in Billion of \$	Malaysia GDP in Billion of \$	GDP (Nigeria) %	GDP (Malaysia) %
1960 – 1969	107.208	27.29	4.73	4.5
1970 – 1979	395.694	101.37	9.71	4.1
1980 – 1989	450.577	305.82	2.75	4.38
1990 – 1999	268.189	734.59	1.81	4.02
2000 – 2009	775.995	145.563	1.7	4.27
2010 - 2019	426.588	331.633	3.6	4.2

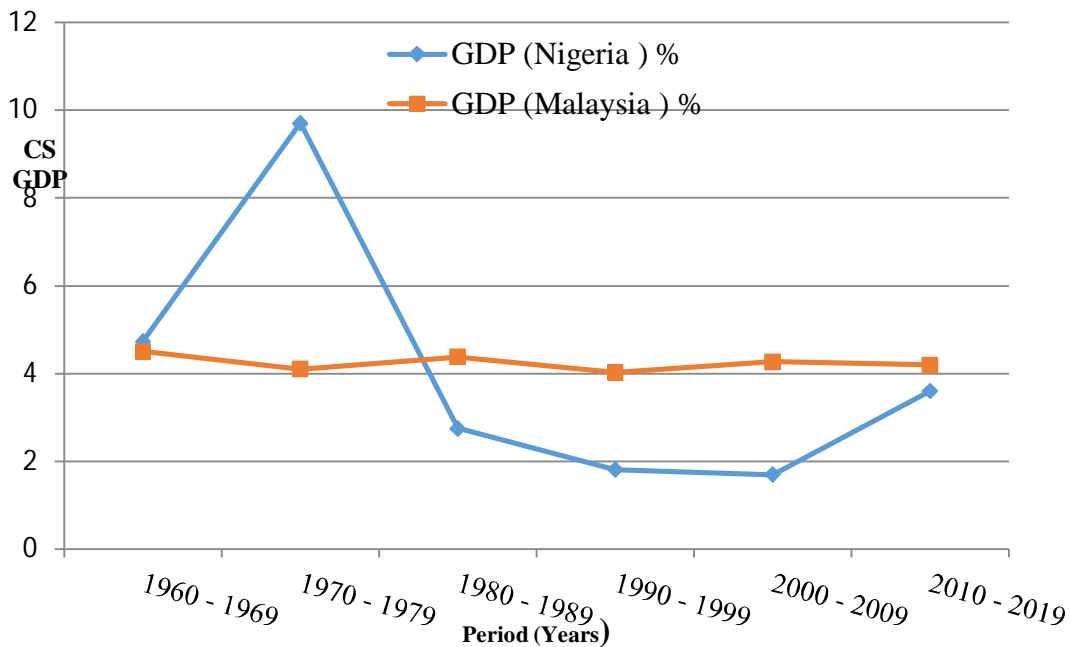


Figure 2: 10 years average of construction sector contribution to Nigeria's and Malaysia's GDP (1960-2019)

Construction sector contribution to Nigeria GDP showed a sharp rise in the 1960s to the 1970s and a sharper fall from 1970s to the 1980s. The fall in CS contribution to the Nigeria GDP continues steadily until 2010. This fall signify a steady erosion of the sector since the 1980s. This is reflected in the neglect and dilapidated state and collapse of the Nation's physical infrastructure (Ogali, 2013). The rise in CS contribution witnessed from 2010 as shown in Figure 1 could certainly be a result of numerous federal government interventions in the construction and rehabilitation of various public buildings and infrastructures. Notable among such are the various tertiary

institution intervention fund projects in various tertiary institutions in Nigeria within this period (Famade et al., 2015).

Growth in CS contribution to Malaysia GDP is more positive and steady when compared to that of Nigeria as shown in Figure 2. The mean and standard deviation of the contributions of the CS to the Nigeria GDP is 3.6 and 3 while that of Malaysia GDP is 4.2 and 0.2 which implies that CS contribution to Malaysia GDP was higher and more stable than that of Nigeria before the year 2020. Madya et al (2004) reported that the CS in Malaysia witnessed a sharp annual growth rate from 2.28% in 1988 to

12.29% in 1989. Alaloul et al. (2021) in a recent study concluded that the Malaysian economy is moving towards sustainable production with more emphasis on the construction sector. This conclusion was based on their study of economic data of Malaysia GDP of 1970 to 2019 and a forecast of 2020 to 2050. They claim that their study outcome can be used as a benchmark by other countries to achieve sustainable development. Such study suggests that Nigeria construction sector can be improved by borrowing a leaf from the performance of the Malaysia CS captured in Malaysian VISION 2020 (Raza et al., 2014).

Performance of the construction sector in Nigeria and Malaysia in line with the Vision 2020

Extant literature based on the construction sector in Nigeria and Malaysia in line with the Vision 2020 was extracted through the Google scholar search engine. Combinations of words - "Nigeria construction Vision 2020" brought out two paper topics while "Malaysia construction Vision 2020" brought out three topics. Table 2 showed the titles of the papers and they discussed issues bothering on the performance of the construction sector in both countries.

Table 2 : Papers on construction sector in Nigeria and Malaysia and Vision 2020

No	"Nigeria construction Vision 2020"	"Malaysia construction Vision 2020"
1	The place of TVET as tool for manpower development in achieving Vision 20; 2020 in the Nigerian Construction Industry (Musa et al., 2012)	The Malaysian construction industry: an analysis on the impact of Vision 2020 (Abdullah, 1999).
2	Actualising Nigeria's Vision 20:2020: Imperatives of the Construction Sector (Waziri et al., 2014)	<i>Construction Productivity Improvement towards achieving the Malaysian Vision 2020.</i> (Mohd Ali et al., 2008)
3		Malaysian construction sector and Malaysia vision 2020: Developed nation status (Khan et al., 2014)

Authors of the papers tabulated above agreed that there is a strong relationship between economic growth, achievement of the Vision 2020 and performance of the construction sectors in both countries. Low manpower development of construction professionals, skilled artisans and craftsmen is one of underperformance feature of the Nigeria construction sector. This was fingered by Musa et al., (2012) while considering the place of technical vocational educational training as tool for manpower development in achieving Vision 2020 in the Nigeria construction industry (Table 2). Authors recommended that the National construction policy which remains largely unimplemented should be revised to meet up with the required skills needed to provide the manpower needs to improve construction sector performance. The Malaysian government must have seen the

need for the implementation of the country's construction policy and have put in place a construction industry development board (CIDB). This leading agency steers the direction of the Malaysian construction industry with credible recorded success (Madyal et al., 2004; Mohd Ali et al., 2008). An effective construction agency in Nigeria charged solely with the responsibility of implementing and enforcing vital construction policy is a major step forward to the achievement of a better performing construction sector.

Low involvement of private sector and poor government funding of infrastructure development was identified by Waziri et al. (2014) in a research on actualising Nigeria's Vision 2020 imperatives of the construction sectors (Table 2). High construction work volume as a result of highly economical

infrastructural projects by public and private sectors will expectedly boost the financial performance of the construction sector and contribute significantly to the GDP which fosters economic growth (Alaloul et al., 2021). This was enviably highlighted in the rapid infrastructural development in Malaysia by Khan et al., 2014 in a paper titled Malaysian construction sector and Malaysian Vision 2020: developed nation status (Table 2). These authors detailed several key projects of various world standards. Notable among the infrastructures is the Kuala Lumpur International Airport which has a capacity of handling 35 million passengers per year and was thrice voted as the world best airport. Planned revitalisation of failed infrastructural facilities and social services which constitute a major constraint to developmental efforts in Nigeria is highly essential. This will engage the construction sector in the restoration and improvement of these numerous infrastructural facilities and has a ripple effect in hastening the development of developing countries. Construction activities geared towards the provisions and revitalisations of these facilities will in turn increase construction work volume thereby resulting in higher construction sector contribution to Nigeria GDP resulting in a better positioned national economy.

Conclusion

Nigeria and Malaysia are known to be former British colony whose economy earlier heavily depends on agriculture. Both countries had same economic goal tag "VISION 2020" which aimed at transforming the countries into a developed and industrialized nation having one of the largest economies. A look at the link between Malaysian construction industry and its' macroeconomic status leaves an important lesson for the Nigerian public, private and construction industry sector to ponder on and take appropriate steps towards achieving a better economy status in the nearest future. This study concludes that the Nigeria public and private sectors should take a leaf from the significant infrastructural development in Malaysia

which triggered a major development and improved the performance of their construction sector. It is important to use the knowledge gained in the study of the performance of the construction sector in Malaysia to effectively reposition the Nigeria construction sector so as to bring the needed economic revitalisation.

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