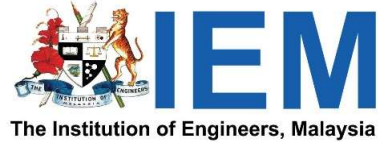


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## PRESS RELEASE

7 May 2026

### FOR IMMEDIATE RELEASE

### “IEM ADDRESSES GLOBAL SUPPLY CRISIS: UNVEILS IEM ENGINEERING IMPACT SURVEY AND PRACTICE NOTE TO SAFEGUARD ENGINEERING SECTOR”

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**PETALING JAYA** – The Institution of Engineers, Malaysia (IEM) has taken a proactive dual-action approach to address the *Krisis Bekalan Global* triggered by recent geopolitical developments in the Middle East. Following a briefing by the Majlis Tindakan Ekonomi Negara (MTEN), IEM has officially released its IEM Engineering Impact Survey Report detailing the severity of the crisis, alongside Practice Note (PN) 2026-01 to provide immediate contractual guidance for the engineering profession.

#### Concerning Survey Findings

The IEM Engineering Impact Survey Report is based on a survey of 272 seasoned professionals, over half of whom possess more than 20 years of technical expertise. The findings paint a concerning picture of the Malaysian engineering landscape:

- **Massive Cost Escalations:** 90.51% of respondents agreed that the industry is grappling with a staggering ~85% escalation in diesel prices and 81.15% confirmed they have experienced an average +12.59% increase in key materials such as steel, concrete, and bitumen.
- **Systemic Project Disruption:** 88.89% of respondents report budget overruns, while 74.90% face significant project delays.
- **Financial Distress:** 83.90% of contractors, particularly Small and Medium Enterprises (SMEs), are facing acute financial stress, with many nearing insolvencies.
- **Public Safety Risks:** Critically, 37.45% of respondents noted potential quality compromises, as financial pressures increase the risk of "cutting corners," which directly threatens public safety and asset sustainability.

#### Practice Note 2026-01: Professional Guidance for Contractual Volatility

In tandem with the report, IEM Standing Committee on Professional Practice has issued Practice Note (PN) 2026-01, *"Managing Material Price Fluctuation in Construction*

*Contracts Arising from Global Supply Disruptions*". This document clarifies the administration of projects under the IEM Conditions of Contract (IEM COC).

The PN emphasizes that under standard IEM COC terms, the Contract Sum is fixed unless parties have agreed to the applicability of Option Module B at the time of award of contract. Option Module B is essentially a "price fluctuation clause" that enables the Contractor to claim for the upward price increase for cement, steel reinforcement, bitumen and diesel, instead of placing all escalation risk solely on the Contractor. While the Engineer must remain impartial and cannot certify payments on an ex-gratia basis, the PN encourages Engineers to act as facilitators for "amiable solutions". This includes the consideration of supplementary agreements to ensure project viability despite unprecedented market shocks.

### **IEM Statement**

The engineering profession is the backbone of national development and societal security. Our IEM Engineering Impact Survey provides the evidence-based proof that our industry has reached a critical breaking point. By issuing Practice Note 2026-01, we are providing our members with a standardized framework to navigate these volatile times. However, professional guidance alone is not enough; we urgently call for government intervention to stabilize material supplies and implement mandatory Variation of Price (VOP) mechanisms to prevent a total collapse of our national project delivery pipeline.

### **Moving Forward**

IEM advocates for a tri-partite alignment between individual engineers, the Institution, and the Government. Key recommendations include:

- Targeted Subsidies: Immediate diesel and fuel rebates for the engineering and logistics sectors.
- Contractual Reform: Standardizing VOP and Extension of Time (EOT) mechanisms across all public and private projects.
- Future-Proofing: Incorporating bidirectional price fluctuation clauses in new contracts to ensure fairness for both Employers and Contractors.

### **Ir. Yau Chau Fong**

President

The Institution of Engineers, Malaysia (IEM)

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*For further information on this Press Release or  
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### **About the IEM**

*The Institution of Engineers of Malaysia (IEM) is a civil society organisation established to promote the science and profession of engineering in any of its disciplines and to facilitate the exchange of information and ideas related to engineering. Founded in 1959 and with a membership of over 40,000 today, IEM constitutes one of the largest professional organisations in the country. Amongst its many roles, the Institution plays an active part in supporting various sustainable socio-economic development of the country and in nation building. It represents the aspirations of its members, acts in the best interests of the public of whom its members serve whilst upholding the standing and image of the profession.*