

ASEAN Economics

Johor-Singapore SEZ: Tracking the Progress

Setting Ambitious Targets

Singapore and Malaysia's Prime Ministers signed the Johor-Singapore SEZ (JS-SEZ) agreement on 6 January at the Leaders Retreat. The JS-SEZ will be organized around 9 flagship districts, spanning 3,588 sq km or nearly five times the size of Singapore. Malaysia hopes the initiative will bring a US\$28bn boost (vs. US\$38bn Johor GDP in 2023) to Johor's economy by 2030 with tax incentives and seamless cross-border travel, in areas such as manufacturing, aerospace, tourism, energy and healthcare. Target is to create 20,000 skilled jobs and attract 50 projects within the first five years, and 100 projects in ten years.

Slashing Immigration Clearance Time

Malaysia aims to slash the immigration clearance time to 20 minutes to transform the congested Causeway to a seamless link. Rollout of QR code clearance and e-gate immigration have shortened travel times. The Rapid Transit System (RTS) train is on track to be operational on 1 Jan 2027 and will cut down commuters' journey across the Causeway to just 6 minutes. The RTS Link will be capable of carrying 10,000 passengers per hour in each direction (150,000 passengers daily at full capacity). Malaysia is investing RM741m on their land checkpoints to increase clearance capacity and ease congestion. Singapore is expanding the Woodlands Checkpoint by *five-fold* (95ha vs. 19ha currently) from 2025, to be completed by 2032. A proposed RM8b autonomous rail transit (ART) system will improve connectivity within Johor, which will may be launched by end-2026. Further steps will be taken to enhance customs processes and tackle regulatory hurdles.

Attractive Tax Benefits, Plugging Manpower Gaps

A preferential 5% corporate tax rate for up to 15 years (vs. board rate of 24%) will be offered for new investments in AI, quantum computing, medical devices, aerospace manufacturing and business services. Eligible knowledge workers will enjoy a flat personal income tax rate of 15% for 10 years. Special tax incentives will be offered for high-value and capital-intensive investments in specific flagship areas, including global services, logistics and tourism (details out soon). For the Forest City Special Financial Zone, key incentives include a zero percent tax rate for Single Family Offices (SFOs) for up to 20 years; a flat 15% individual income tax rate; and special incentives for banks, fintechs, insurance and capital market intermediaries. The right mix of talent and flexible visa terms will attract a critical mass of skilled labor. Johor has set up a talent development council, and plans to offer premium starting salaries for diploma and degree holders.

An Economic JS-SEZ "Report Card"

We will track Johor's economic progress and success of the JS-SEZ via a range of indicators. The JS-SEZ will help boost and drive the convergence of GDP and wages per capita between Johor and Singapore. Johor's GDP is currently about 9% of Malaysia's GDP and 7.5% of Singapore's GDP. Johor's median household income was RM6,879 in 2022, higher than national levels, and about 21% of Singapore's. Johor is Malaysia's second largest exporter, accounting for 20% of total exports. Investment commitments from Singapore have been rising strongly, accounting for more than a quarter of the total in 2023, while investments from China have been declining. Johor's workforce (+4.3% in 2023) has been growing faster than the population (+1.9%). Annual property sales in Johor have more than doubled from pre-pandemic levels, while house prices have risen by +21% over the last 5 years. Visitor arrivals to Johor have climbed to 30% above pre-pandemic levels, driven by Singaporeans, and should continue to climb with the JS-SEZ.

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Johor-Singapore SEZ: Tracking the Progress

“The SEZ is truly a unique initiative. It is rare to see two countries collaborating as a team to promote mutual economic growth and attract investments ... This initiative not only brings clarity to economic policies but also ensures a well-structured approach to social investment concerns.”

Malaysia Prime Minister Anwar Ibrahim at the 11th Malaysia Singapore Leaders Retreat Joint Press Conference, 6 January 2025.

“Our message to investors is look at the complementarities between Johor and Singapore, because there are many advantages in coming here, and looking at this entire ecosystem. Not Johor by itself, nor Singapore by itself, but as an ecosystem that complements one another. And I think there are many strengths that we can harness from both sides that will allow us to enhance our value proposition and make this a much more competitive and attractive venue for businesses to operate from.”

Singapore Prime Minister Lawrence Wong at the 11th Malaysia Singapore Leaders Retreat Joint Press Conference, 6 January 2025.

Singapore and Malaysia’s Prime Ministers signed the Johor-Singapore SEZ (JS-SEZ) agreement on 6 January at the bilateral Leaders’ Retreat. The next step will be for both countries to finalize the blueprint and jointly promote the JS-SEZ to global investors.

The JS-SEZ will be organized around 9 flagship areas, spanning 3,588 sq km or nearly five times the size of Singapore. Malaysia hopes the initiative will bring a US\$28bn boost to Johor’s economy by 2030 (2023 Johor GDP: US\$38bn) through tax incentives such as manufacturing, aerospace, tourism, energy and healthcare.

The target is to create 20,000 skilled jobs and attract 50 projects within the first five years, and 100 projects in ten years. Measuring progress in terms of project count rather than investment value is a bid to build up a broad ecosystem and critical mass to crowd in further investments.

The Iskandar Regional Development Authority and a joint Malaysia-Singapore Ministerial Committee will manage the JS-SEZ. The latter will be formed from a revamp of the present Joint Ministerial Committee for Iskandar Malaysia (JMCIM). JMCIM is chaired by Minister of Economy Rafizi Ramli and Johor Chief Minister Onn Hafiz Ghazi on the Malaysian side, and Transport Minister Chee Hong Tat and National Development Minister Desmond Lee on the Singapore side.

The JS-SEZ reflects Singapore’s efforts to deepen linkages with its neighbors and provides a blueprint for closer ASEAN economic integration, in an increasingly fragmented global trade landscape. Singapore can tap on Johor’s lower operating costs, abundant land, and water and energy resources, given the city state’s resource constraints and higher operating costs. By bolstering the business ecosystem and enabling freer movement of people, goods and capital, the JS-SEZ strengthens the economic case for investments and relocations from the “China+1” supply chain shifts with the intensification of the US-China rivalry. The US-China decoupling and reconfiguration of supply chains will likely accelerate under Trump 2.0 with higher US tariffs and a broader trade war.

The JS-SEZ has progressed since our previous report (*“[Johor-Singapore SEZ: What’s Special and Different](#),”* 10 May 2024). Concrete details have been unveiled and joint initiatives have gained traction (Table 1). We track the JS-SEZ’s progress and update on the new initiatives.

Other recent Maybank reports of interest include “[Malaysia Strategy - JS-SEZ: Realizing Opportunities](#)” (22 Jan 2025) and “[Malaysia Strategy - JS-SEZ: Realizing a Vision](#)” (8 Jan) by our Malaysia research team, as well as “[Johor-Singapore Special Economic Zone - Singapore Winners](#)” (7 Jan 2025) by our Singapore research team. For a property focus, see “[Malaysia Property - JS-SEZ gaining Traction with Promising Prospects](#)” (22 Jan 2025).

Table 1: Progress Summary of Johor Singapore Special Economic Zone (JS-SEZ) Initiatives

Initiative	Progress
QR Code Immigration Clearance at Woodlands and Tuas Checkpoints	Singapore: implemented from <u>19 Mar 2024</u> for cars and from <u>16 Dec 2024</u> for all transport modes Malaysia: implemented trial involving buses and motorcycles from June 2024 and plans to roll out full implementation by <u>mid-2025</u>
Invest Malaysia Facilitation Centre Johor (IMFC-J)	Opened interim office at Sunway Big Box, Iskandar Puteri in <u>July 2024</u> . Will relocate to permanent office in <u>Forest City</u>
Forest City Special Financial Zone	Launched on <u>20 Sep 2024</u>
Johor Talent Development Council (JTDC)	Launched on <u>3 Nov 2024</u> . A dedicated body on talent development programs in JS-SEZ, will curate training and work-based learning initiatives
Johor-Singapore RTS Link	Will be fully operational on <u>1 Jan 2027</u> . Civil infrastructure work for track structures nearly complete. Installation of rail systems and construction of Bukit Chagar RTS station and adjacent CIQ ongoing
Elevated Autonomous Rapid Transit (ART) in Johor	<u>In planning stages</u> . Expected to have 32 stations over 50km in Johor spanning Iskandar Puteri, Skudai and Tebrau, and will likely connect to the Bukit Chagar RTS station. Will be developed at cost of RM8bn and targeted for completion by end-2026 to coincide with RTS link.
Adoption of Digitized Processes for Cargo Clearance at Land Checkpoints	Ongoing
Developing Joint Promotion Events between Johor and Singapore	Ongoing

Source: Compiled by Maybank IBG Research

Key developments over the past few months include the launch of the Forest City Special Financial Zone on 20 Sep 2024; opening of an interim Invest Malaysia Facilitation Center in July 2024; launching of a Johor Talent Development Council (JTDC) in Nov 2024; and Singapore’s implementation of QR code immigration clearance for all transport modes since 16 Dec 2024. Infrastructure work for the track structure of the Johor-Singapore RTS link is nearly complete.

9 Flagship Areas with 11 Dedicated Sectoral Focus

Geographically, the JS-SEZ will cover the Iskandar Development Region and Pengerang, an area about five times the size of Singapore (3,588 sq km). Nine flagship areas have been zoned, each with their own sectoral focus: Sedenak, Iskandar Puteri, Tanjong Pelepas-Tanjong Bin, Forest City, Senai-Skudai, Johor Bahru City Centre, Pasir Gudang, Pengerang Integrated Petroleum Complex and Desaru (Fig 1).

The JS-SEZ aims to facilitate investments in 11 sectors, encompassing manufacturing, logistics, food security, tourism, energy, digital economy, green economy, financial services, business services, education and health. Special tax incentives will be provided for certain flagship areas, as a further sweetener to the overall incentives available for the SEZ as a whole.

Fig 1: Johor-Singapore SEZ Includes Both Iskandar and Pengerang Area with Total Size of 3,588km²


Source: Iskandar Regional Development Authority, Invest Johor

The targeted sectors build on core competencies and future priorities of both countries. The knowledge-intensive industries in the SEZ will help diversify Johor's economy from agriculture and low-cost manufacturing, while enhancing economic complexity, digital vibrancy and technology adoption. By setting up industry clusters within each of the flagship areas, the SEZ aims to maximize inter-sectoral synergies and build up integrated ecosystems of firms, enhancing its investment proposition.

The JS-SEZ will complement and enable the expansion of Singapore's well-established industries, including advanced manufacturing, wholesale trade, logistics and modern services like finance and corporate headquarters.

The JS-SEZ will help reduce the cost of living for Singapore's households. Johor's lower operational costs and streamlined logistics between the two countries may reduce production and transportation costs, leading to more competitively-priced goods and services. With the shorter commute time, Singaporeans can make more regular trips to Johor for cheaper shopping, dining and personal care.

The SEZ will facilitate development of renewable energy projects to accelerate clean energy trading between Malaysia and Singapore. This ties in with Singapore's goal to fulfil a third of its energy needs with 6GW of low-carbon electricity imports by 2035. Singapore began importing clean electricity from Malaysia in September 2024, under phase two of the Lao-PDR-Thailand-Malaysia-Singapore Power Integration Project (Table 2).

Table 2: Singapore Renewable Energy Import Agreements

Country	Annual Capacity	Date Announced	Details
Vietnam	1.2GW	Oct 2023	Sembcorp will develop offshore wind and other capacity with Petrovietnam Technical Services for export to Singapore, via new 1000km subsea cables.
Indonesia	3.4GW	2.0GW in Sep 2023; Another 1.4GW in Sep 2024	Electricity will be sourced from solar power projects developed by Keppel Energy, Pacific Medco Solar Energy, Adaro Solar International, EDP Renewables APAC, Vanda RE. These companies aimed to commercial operating from 2028. Additional 1.4GW imports were granted for Singa Renewables (1GW) and Shell Eastern Trading, in partnership with Vena Energy (0.4GW) under the Conditional Approvals
Cambodia	1GW	Mar 2023	Keppel inked long-term agreement with Cambodia's Royal Group Power Company to import primarily solar-powered electricity through onshore overhead high voltage transmission lines and subsea high voltage transmission cables.

Australia	1.75GW	Oct 2024	Imported electricity will harness solar power from Australia's Northern Territory, transmitted to Singapore via new subsea cables over a distance of approximately 4,300km
Lao - Thailand-Malaysia (LTMS-PIP)	200MW	1 st phase of integration project was launched in June 2022 2 nd phase was announced in Sep 2024	Up to 100MW of renewable hydropower was imported from Laos to Singapore through Malaysia existing interconnectors during 1 st phase of projects In 2 nd phase, the capacity will be doubled to maximize at 200MW, with additional supply will come from Malaysia and will be imported by Keppel
Malaysia	100MW	Apr 2024	50MW of renewable electricity will be imported by Sembcorp from Malaysia's Tenaga Nasional Berhad under 2 year contract from Dec 2024

Source: Singapore Energy Market Authority, compiled by Maybank IBG Research

“Slashing Immigration Clearance Time”

“The real potential of Johor and Singapore can only be unlocked if we address the bottlenecks hindering seamless movement ... The Johor-Singapore Special Economic Zone’s biggest challenge is slashing immigration clearance time to 20 minutes - a crucial step to transform the congested Causeway into a seamless link for talent and trade and meet its ambitious goals”

Malaysia Economy Minister Rafizi Ramli in a Business Times interview, 13 January 2025¹

The JS-SEZ Agreement is committed to develop “seamless connectivity” by enhancing transport links. The Malaysian authorities are aiming to slash immigration clearance time to an ambitious 20 minutes. Immigration clearance currently takes as little as 30 minutes during off-peak times, but can stretch to several hours during peak periods.

Central to these efforts are the construction of a cross-border RTS Link, improving Johor’s transport network and speeding up immigration clearance.

The rollout of QR code clearance and e-gate immigration have already improved travel times. Singapore introduced passport-free QR code clearance at its land checkpoints with Johor from 19 March 2024. Malaysia rolled out a trial involving buses and motorcycles in June. There are plans to expand QR code clearance to all Malaysians by 1Q 2025 and to all nationalities potentially in mid-2025. Automated immigration gates have been made available to Singaporeans at Johor’s land checkpoints since 20 January 2024.

The RTS Link will cut down commuters’ journey across the Causeway to just 6 minutes, when fully operational on 1 January 2027. The train will have a high frequency of 3.6 minutes during peak hours and 6 minutes off-peak, minimizing waiting time. Joint immigration facilities will be stationed at the CIQ complexes on both sides, so that commuters are only required to clear immigration prior to taking the train. The RTS Link will be capable of carrying 10,000 passengers per hour in each direction (150,000 passengers daily at full capacity), which will significantly alleviate congestion at the Woodlands Causeway and Tuas Second Link. The Causeway serves around 300,000 commuters daily - Singapore’s Immigration and Checkpoints Authority (ICA) expects the number to climb to more than 400,000 by 2050.

The RTS construction has been making visible and steady progress. As of 29 November 2024, Singapore has completed more than 80% of civil infrastructure works on its end, while Malaysia side has completed about 93%. The installation of rail

¹ CNA, “Johor-Singapore SEZ’s faces toughest test - slashing immigration clearance delays, says Malaysian minister”, 13 Jan 2025
January 26, 2025

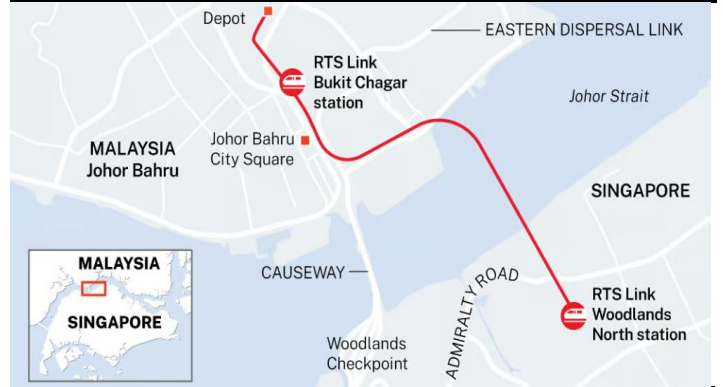
systems has commenced since end-2024.

Table 3: Rapid Transit System (RTS) Link Key Facts

Category	Details
Length	4km
Capacity	10,000 people per hour in each direction
First-Year Estimated Daily ridership	41,400 pax
Full Daily Capacity	150,000 pax
Train journey time	6 mins
Frequency	3.6 mins (peak hours), 6 mins (off-peak)
Operating hours	6:00 am - Midnight

Source: MRT Corp (Malaysia)

Fig 2: RTS Link Will Co-Locate with Immigration, Customs and Quarantine Facilities at Both Ends



Source: Business Times²

Fig 3: RTS Link Construction Progressing, On Track to Operate by Jan 2027



Photo as of 16 Jan 2025

Source: Maybank IBG Research

Both Singapore and Malaysia will upgrade their land checkpoints to increase clearance capacity and ease congestion. Malaysia is investing RM741.3mn (S\$222.1mn) for upgrading projects, including adding 50 motorcycle lanes to the two checkpoints' existing 100; consolidating the bus passenger hall at the Second Link immigration complex; and upgrading the lorry inspection counter and quarantine and inspection bays³. Singapore will undertake a *fivefold* expansion of the Woodlands Checkpoint (95ha vs. 19ha currently) from 2025, slated for completion by 2032.

² Business Times, "What you need to know: JB-S'pore Rapid Transit System Link", 11 Jan 2024

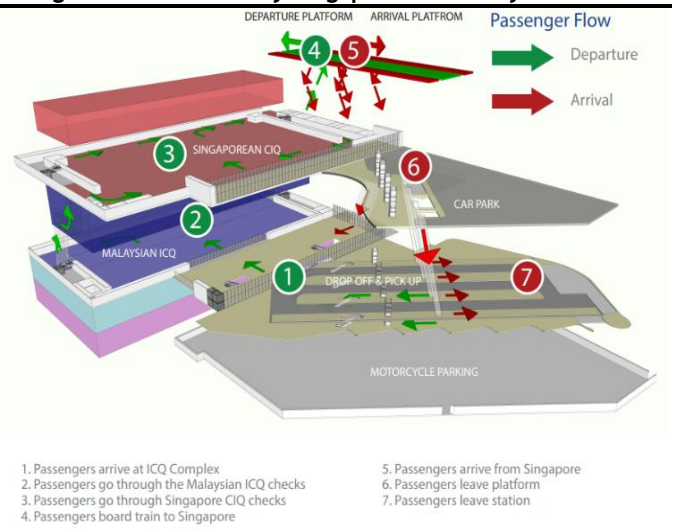
³ The Straits Times "Malaysia to invest \$222m to upgrade Johor checkpoints to ease congestion", 22 Nov 2024

Fig 4: RTS Bukit Chagar Station and CIQ Complex Have Commenced Construction



Photo as of 16 Jan 2025
Source: Maybank IBG Research

Fig 5: RTS Bukit Chagar Station Will Allow for Joint Immigration Clearance by Singapore and Malaysia



Source: RailTravel Station⁴

Fig 6: Woodland North MRT Station and CIQ Building Will be Expanded to About 180k sqm or about 10 times the Size of a Typical MRT Station



Source: Singapore Land Transport Authority, Straits Times⁵

Besides easing cross-border travel, connectivity will have to be improved *within* the JS-SEZ and to other parts of Malaysia.

Economy Minister Rafizi Ramli said in early January 2025 that the government is planning an autonomous rail transit (ART) system in Johor Bahru⁶ (Fig 7). The ART is targeted for completion by end-2026, the same time as the RTS Link. Such a system would allow more convenient travel within the SEZ, alleviate bottlenecks, and ease the heavy congestion in Johor Bahru city centre. The KTM ETS train service will be extended to the present Johor Immigrations Complex by mid-2025, allowing faster and more seamless travel from the SEZ to Kuala Lumpur (3.5 hours) and the rest of West Malaysia.

⁴ RailTravel Station, “Bukit Chagar RTS Link Station”

⁵ The Straits Times “From barges to explosives: How Singapore is building the RTS Link with Malaysia”, 12 Jan 2024

⁶ The Malaysian Reserve “LRT, ART on the table to drive Johor-Singapore SEZ growth”, 7 Jan 2025

Fig 7: ART System to Follow Planned Stations of Iskandar Rapid Transit (IRT)



Source: Iskandar Malaysia Report Card 2023, Malay Mail⁷

Planning for Seamless Goods Clearance

“With the kind of opportunities in the SEZ, we are scaling down production in Singapore and looking at ramping up production in Malaysia. It’s easily more than 50 times the kind of capacity that we’re looking at”

Singapore-based agricultural technology player Archisen on their venture with Johor Corp subsidiary FarmByte to set up one of the largest urban farms in Johor. The farm will produce 400kg of ice plant for daily import into Singapore.⁸

Plans to improve the cross-border flow of cargo are still at an early stage. The RTS Link will only be able to accommodate passengers. The cross-border transport of goods will still be reliant on the two land links. Authorities on both sides are working on digitized processes to speed up cargo clearance at land checkpoints. They also plan to “study the feasibility” of encouraging more commercial vehicles to use the Second Link, to reduce pressure on the Causeway. Toll charges are higher at the Second Link than the Causeway.

Besides traffic congestion, there are regulatory hurdles to the cross-border movement of goods. Businesses are calling for simplification and better harmonization of import and export tax regimes and customs procedures, which would speed up cargo clearance times.

Under the SEZ Agreement, Singapore and Malaysia have agreed to explore data sharing to enhance customs processes. As an initial step, Singapore unveiled an initiative in December 2024 to streamline customs procedures for goods transhipped through its land checkpoints⁹. From 1 January 2025, traders need to apply for only a single permit instead of two separate permits for importation and exportation,

⁷ Malay Mail, “Official: Johor preparing autonomous transit proposal for Putrajaya”, 7 May 2024

⁸ CNA, “Lack of skilled labour, Causeway congestion among concerns of local firms moving to Johor-Singapore SEZ”, 10 Jan 2025

⁹ MTI Singapore Press release, “Streamlining customs procedures for land intermodal transhipments”, 20 Dec 2024

generating cost savings and saving time.

Freer cross-border goods movement will be crucial to strengthen the JS-SEZ's value proposition for manufacturers conducting "twinning" operations in Singapore and Johor. A joint agency staffed by officials from both countries to coordinate the issuance of export/import permits and other trade procedures would be a useful step to streamline clearance processes.

Developing additional transportation links (such as more goods vehicular lanes, ferries and cargo rail) would ease pressure on the two present land links, given increased traffic brought about by the SEZ. For instance, a ferry route has been proposed from Tuas to Forest City. Another point to work out would be how goods produced in the SEZ can tap on Singapore's extensive network of Free Trade Agreements. Singapore is the only ASEAN country to have a bilateral FTA with the US.

One-Stop Johor Facilitation Centre

The JS-SEZ will facilitate investments through a one-stop Invest Malaysia Johor Facilitation Centre (IMFC-J) to minimize red tape and improve ease of doing business. The interim centre was set up in the Sunway Big Box complex at Iskandar Puteri in July 2024, and will move to its permanent office in Forest City in 2025. The centre will alleviate the need for businesses to liaise with multiple agencies at the federal and local government levels.

Jointly operated by Iskandar Regional Development Authority (IRDA), Invest Johor and Malaysian Investment Development Authority (MIDA), IMFC-J will bring together federal agencies and Johor local authorities under one roof. The centre will oversee applications for investment incentives and expat employment passes; fast-track immigration clearance; provide investment advisory services; and handle land and development-related matters (Table 4).

Table 4: Overview of Services Provided by IMFC-J

No	Services
(1)	Single point of contact for investment facilitation
(2)	Investment advisory services
(3)	Expatriate employment pass
(4)	Malaysia automatic clearance system (MACS)
(5)	Incentive support package (ISP)
(6)	15% tax incentive scheme for knowledge workers
(7)	Land matters
(8)	Development matters

Source: Invest Johor, IRDA

A new Johor Super Lane (JSL) initiative will operate through IMFC-J to accelerate investment and development processes in the state. According to Johor Chief Minister Onn Hafiz, key features include¹⁰:

- Issuing business operation licenses within one hour after the Certificate of Completion and Compliance (CCC) is submitted, with businesses permitted to install machinery prior to receiving their CCC;
- Construction monitoring and CCC support will be arranged two months prior to a project's expected completion date;

¹⁰ The Iskandarian, "Johor Super Lane to Transform into an Investment Landscape", 2 Dec 2024.

- Streamlining and coordinating development procedures:
 - Cutting land development process timeline to 13 from 37 months;
 - Allowing developers to submit several applications at once, such as engineering plans, building plans, landscaping designs, street lighting layouts and planning permission;
 - Expediting building work approvals to 14 from 57 days, and cutting clearance times for environmental impact assessment and traffic impact assessment reports to 14 from 30 days;
 - Shortening the time needed to issue land titles to 53 from 240 days.

Generous Fiscal Support for New Investments

“I think the greater potential for the SEZ is not just about Singapore businesses going to Johor, but it is about both sides working together to attract new investment projects globally. And if we can come together - which we intend to - market the SEZ together, promote the SEZ as a combined destination ... hopefully this will allow both of us to attract even more global investments to our respective countries, enhance the pie, expand the pie, and create good jobs for both our peoples.”

Singapore Prime Minister Lawrence Wong at the Singapore-Malaysia Leaders `Retreat Joint Press Conference, 6 January 2025

“A lot of global corporations are looking at ways to manage the trade wars ... and we feel that putting it (JS-SEZ) together when investors can have the best of both worlds - they can tap into the resources and potential of Johor, yet having access and also benefit from the sophistication of Singapore - I think that's a very good value proposition to the world.”

Malaysia Economy Minister Rafizi Ramli in a CNA interview on Johor-Singapore Special Economic Zone, published 9 Jan 2025¹¹

Malaysia recently unveiled generous tax incentives for companies undertaking new investments in the SEZ, over and above support already offered at the federal level (Table 6). The incentives will be available for investment applications submitted between 1 January 2025 and 31 December 2034.

A preferential 5% corporate tax rate for up to 15 years (vs. board rate of 24%) will be offered for new investments in AI, quantum computing, medical devices, aerospace manufacturing and business services (Table 5).

Eligible knowledge workers will enjoy a flat personal income tax rate of 15% for 10 years.

On top of the MIDA and overall JS-SEZ incentive schemes, there will be additional tax incentives for high-value and capital-intensive investments in specific flagship areas, which create valuable jobs for Malaysians. These will likely include investments in global services, smart logistics, integrated tourism projects and downstream specialty chemicals. Details will be out soon.

¹¹ CNA, “Q&A with Malaysian Economy Minister Rafizi Ramli on Johor-Singapore Special Economic Zone”, 9 Jan 2025.

Table 5: Tax Incentive Package for JS-SEZ

Scheme	Benefits
Special Corporate Tax Rate	<u>5% tax rate for 15 years</u> for companies undertaking new investment in qualifying manufacturing and services, such as AI and Quantum Computing Supply Chain, Medical Devices, Aerospace Manufacturing and Global Services Hub
Flagship Development Focus	Additional special incentives are allocated to businesses operating in certain flagship areas in JS-SEZ
Special Income Tax for Knowledge Workers	<u>Flat 15% tax rate for 10 years</u> for eligible knowledge workers working in JS-SEZ

Source: Ministry of Finance Malaysia

Table 6: Tax Incentives Offered by MIDA at Federal Level

Scheme	For Who?	Benefits
Special Tax Incentive (Relocation)	Introduced in 2020; Main objective is to attract manufacturing companies that intend to relocate operations to Malaysia following global supply chain disruptions	For new company: 0% special tax rate for 10 years for new investment (RM300mn-RM500mn) 0% special tax rate for 15 years for new investment (above RM500mn) For existing company: Income tax exemption equivalent to Investment Tax Allowance (ITA) of 100% on the qualifying capital investment (excluding land) above RM300 million incurred within 5 years for an existing company in Malaysia relocating overseas facilities into Malaysia. Special income tax treatment for individuals: Flat 15% rate for 5 consecutive years to non-citizen individuals holding C-Suite positions (vs. statutory rate: maximum marginal tax rate of 30% for income exceeding RM2mn)
Pioneer Status	Eligibility determined based on certain priorities, including level of value-added, technology used and industrial linkages.	5-year partial exemption from corporate tax; pays tax on just 30% of its statutory income. Strategic projects of national importance enjoy 10-year exemption on 100% of income Unabsorbed capital allowances incurred during the pioneer period can be carried forward and deducted from the post-pioneer period income of the company Accumulated losses incurred during the pioneer period can be carried forward and deducted from the post-pioneer period income of the company for a period of seven consecutive years.
Investment Tax Allowance	Same as Pioneer Status	As an alternative to Pioneer Status, a company may apply for Investment Tax Allowance of 60% (100% for strategic projects) on qualifying capital expenditure (factory, plant, machinery or other equipment used for the approved project) incurred within five years from date expenditure incurred Company can offset this allowance against 70% of its statutory income for each year of assessment. Any unutilised allowance can be carried forward to subsequent years until fully utilised.

Source: MIDA, compiled by Maybank IBG Research

The federal government will provide infrastructural support, with a dedicated **RM5bn infrastructure fund** introduced in Budget 2025. The fund will focus on developing infrastructure projects such as transportation networks, utilities and digital connectivity. Infrastructure will be built based on demand, in a project-by-project approach. This reduces the risk of underutilized “white elephant” builds, and allows infrastructure to be more tailored to the nature of each investment project. The federal fund will complement the strong base of existing infrastructure in Iskandar, and developers’ ongoing projects to develop new commercial and industrial space.

Singapore could unveil fiscal support to incentivize joint investments in the JS-SEZ, when Budget 2025 is unveiled on 18 February. Singapore will be creating a fund to support the expansion of its businesses into the JS-SEZ, as agreed under the SEZ Agreement.

For instance, there could be scope for expansion of the Southeast Asia Manufacturing Alliance (SMA) to more sectors and other industrial parks within the SEZ. The SMA

offers support for manufacturers investing in both Singapore and selected industrial parks in Southeast Asia (including Nusajaya Tech Park in Iskandar).

A poll conducted by the Singapore Manufacturing Federation (SMF) showed that about 15% of its 5,000 member firms are looking to expand their operations in Johor, with interest stemming from midstream and downstream supply chain companies. About 20 firms have already opened facilities in the state¹².

Singaporean businesses expanding into the SEZ can already tap on existing market readiness programmes and grants. These include the Market Readiness Assistance Grant, Enterprise Development Grant, Enterprise Financing Scheme and the Overseas Markets Immersion Program (Table 7).

Table 7: Singapore's Internationalization Programs and Grants

Scheme	Details
Market Readiness Assistance Grant	<ul style="list-style-type: none"> In order to help eligible firms expand into new markets overseas Cover up to 50% of eligible costs for local SMEs with activities under three pillars: (1) overseas market promotion (capped at S\$20k); (2) overseas business development (capped at S\$50K) and (3) overseas market set-up (capped at S\$30k)
Enterprise Development Grant	<ul style="list-style-type: none"> In order to help firms upgrade their business, explore new growth, or expand overseas under three categories: (1) core capabilities (e.g. business strategy development, financial management, human capital development); (2) innovation & productivity (e.g. automation, process redesign, product management); (3) market access (e.g. pilot project & test bedding, standards adoption). Cover up to 50% of eligible costs for local SMEs (sustainability-related projects that develop and adopt enabling technologies and solution to reduce waste, resource use or greenhouse emission may be supported at up to 70% from 1 Apr 2023 to 31 Mar 2026)
Enterprise Financing Scheme	<ul style="list-style-type: none"> In order to enable enterprises to access financing more readily in 7 areas: green loans, working capital loans, fixed asset loans, venture debt loans, trade loans, project loans, M&A loans Higher risk share will be considered for (i) enterprises established within past 5 years with at least 1 employee and over 50% equity owned by individuals; (ii) Markets with S&P rating lower or equal BB+ (including non-rated countries)
Overseas Markets Immersion Program (OMIP)	<ul style="list-style-type: none"> To build up globally-minded workforce for local firms Support for 70% of salary and 70% of overseas allowance for up to nine months, capped at S\$5k and S\$3k per month respectively, capped at S\$72k per worker going overseas This program will enable companies to send up to 250 local employees go overseas over a period of 2 years

Source: EnterpriseSG, Workforce Singapore, Compiled by Maybank IBG Research

In our view, the Johor local government's JS-SEZ generous incentive packages and Singapore's planned investment fund sweetens the pie and adds to the region's competitive advantages as an attractive destination for global MNCs.

Preferential personal tax rates are rather rare among jurisdictions, and can enhance JS-SEZ's appeal to skilled professionals from the rest of Malaysia and abroad. A flat income tax of 15% is lower than most countries in Europe, North America and East Asia. The JS-SEZ tax rate may appeal to Malaysian workers from other states. Individuals earning more than RM156,000 per annum are taxed at a higher rate than 15%. Singaporean workers earning less than S\$370,000 per annum (vs. median wage of about S\$65k) enjoy effective tax rates lower than 15%, and thus may not find the SEZ's tax rate as enticing.

¹² CNA, "Lack of skilled labor, Causeway congestion among concerns of local firms moving to Johor-Singapore SEZ", 10 Jan 2025.

Table 8: Malaysia Personal Income Tax Brackets

Chargeable Income (RM)	Tax Rate (%)	Tax Payable (RM)
First 5,000	0	0
Next 15,000	1	150
First 20,000	-	150
Next 15,000	3	450
First 35,000	-	600
Next 15,000	6	900
First 50,000	-	1,500
Next 20,000	11	2,200
First 70,000	-	3,700
Next 30,000	19	5,700
First 100,000	-	9,400
Next 300,000	25	75,000
First 400,000	-	84,400
Next 200,000	26	52,000
First 600,000	-	136,400
Next 1,400,000	28	392,000
First 2,000,000	-	528,400
In excess of 2,000,000	30	

Source: Inland Revenue Board of Malaysia

Table 9: Singapore Personal Income Tax Brackets

Chargeable Income (S\$)	Tax Rate (%)	Gross Tax Payable (S\$)
First 20,000	0	0
Next 10,000	2	200
First 30,000	-	200
Next 10,000	3.5	350
First 40,000	-	550
Next 40,000	7	2,800
First 80,000	-	3,350
Next 40,000	11.5	4,600
First 120,000	-	7,9750
Next 40,000	15	6,000
First 160,000	-	13,950
Next 40,000	18	7,200
First 200,000	-	21,150
Next 40,000	19	7,600
First 240,000	-	28,750
Next 40,000	19.5	7,800
First 280,000	-	36,550
Next 40,000	20	36,550
First 320,000	-	44,550
Next 180,000	22	39,600
First 500,000	-	84,150
Next 500,000	23	115,000
First 1,000,000	-	199,150
In excess of 1,000,000	24	

Source: Inland Revenue Authority of Singapore

One concern is that lower corporate tax incentives may not be feasible for large MNC investors under Global Minimum Tax rules. Singapore and Malaysia will both be adopting the 15% top-up tax rate from 2025 under Pillar Two of the Base Erosion and Profit Shifting initiative (BEPS), which could mean that corporate tax concessions may need to be replaced by other grants. Singapore, for instance unveiled a Refundable Investment Credit in Budget 2024 for high-value activities to offset qualifying expenditures, including capital expenditure, manpower and training costs. The minimum tax of 15% is nevertheless applicable only for MNCs generating annual global revenue of more than EUR750mn.

Plugging Manpower Gaps, Awaiting Details on Foreign Talent Passes

“What the Johor state government is doing is to ensure premium wages of RM4,000 for diploma holders and RM5,000 for those with the Malaysian Skills Certificate equivalent to a degree and I must acknowledge that no other state has done this far”

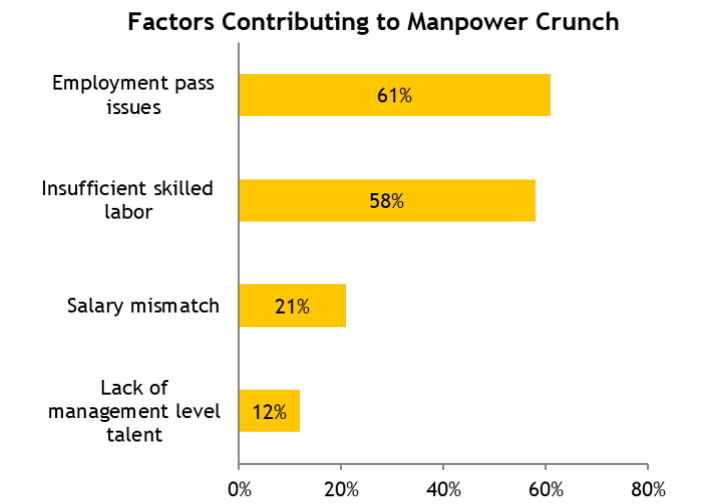
Malaysia Deputy Prime Minister Ahmad Zahid Hamidi at launch of the Johor Talent Development Council on 3 Nov 2024.¹³

Manpower shortages and skill gaps in the JS-SEZ are a key concern for businesses. Nearly 60% of Singaporean businesses with Johor operations facing challenges finding technical and skilled workers, according to a Singapore Business Federation poll in 2024 (Fig 9)¹⁴. The poll found that employment pass issues (e.g. foreign worker quotas) (60%) and insufficient skilled labor (58%) were the main factors contributing to the manpower crunch (Fig 8).

¹³ CNA, “Johor set to be first Malaysia state to offer ‘premium’ salaries for sectors related to proposed SEZ with Singapore”, 4 Nov 2024

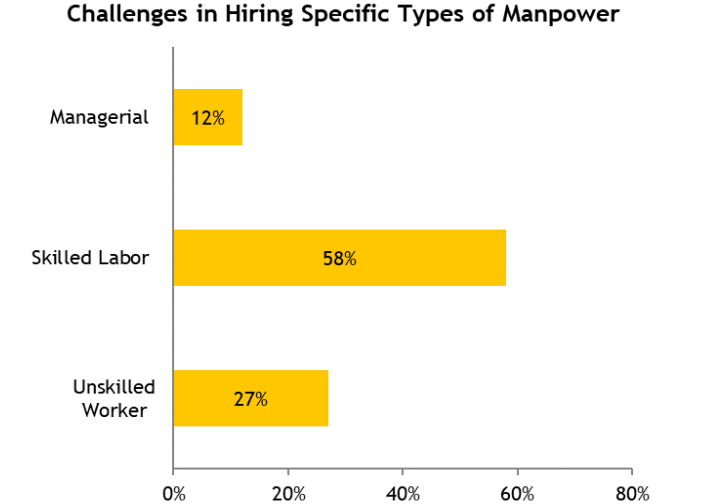
¹⁴ Singapore Business Federation, “Johor-Singapore Special Economic Zone Proposal”, Singapore Business Working Group, July 2024

Fig 8: Employment Pass Issues and Insufficient Skilled Labor Contributing to Manpower Crunch in Johor



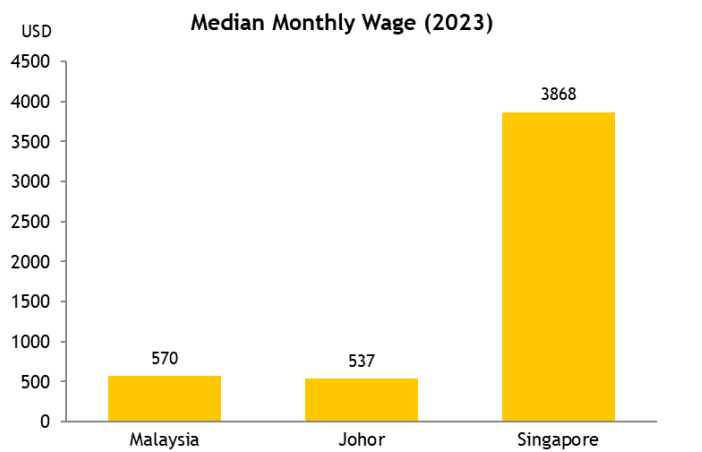
Source: Singapore Business Federation¹⁵

Fig 9: More than Half of Firms Faced Challenges Hiring Skilled Labor in Johor



Source: Singapore Business Federation

Fig 10: Johor’s Median Monthly Wage is One Seventh of That in Singapore



Note: Conversion based on the exchange rate: RM4.5653/USD and SGD1.3435/USD

Source: Socio-Economic Research Centre, DOSM, Singstat

Many Johor residents prefer working in Singapore, due to higher salaries (Fig 10). In addition, businesses are facing difficulties in hiring expat workers with Malaysia imposing a freeze on foreign worker employment quota applications since November 2024, as part of a stipulation under the 12th Malaysia Plan to cap the number at 157% of the country’s workforce.

To build up Johor’s human capital, the JS-SEZ will train local workers, offer attractive starting salaries and enhance Malaysia’s existing passes, such as the DE Rantau Nomad Pass for high-tech remote workers.

The Johor Talent Development Council (JTDC) was set up in November 2024 as a one-stop hub for all education and training courses in the state. The council will collaborate with industries and higher-education institutions to design tailored training programs. The federal government approved a RM20mn allocation in November 2024 to support JTDC initiatives. This includes RM3mn for the expansion of the Pro-Mahir ‘train and place’ initiative, which offers free skills courses and job placements. Pro-Mahir has trained 3,500 participants since its introduction in 2018, with a RM17mn allocation.

¹⁵ Singapore Business Federation, “Johor-Singapore Special Economic Zone Proposal” Report, Jul 2024

The JTDC will also play an overseeing role to ensure that companies in Johor offer sufficient job opportunities with competitive salary and benefits packages. The state will offer premium starting salaries for those with diplomas and degrees in major JS-SEZ sectors, which could reach RM4,000 for diploma holders and RM5,000 for degree holders. The average salary for fresh graduates in Malaysia stands at about RM2,900, while two-thirds of Malaysians working in Singapore earn between RM5,330 and RM12,780¹⁶.

Singapore and Malaysia have agreed to enhance cooperation in technical and vocational education and training (TVET) initiatives to meet industry demands. Memorandums of Understanding have been signed between Singapore's educational institutions and Malaysia's industry groups. Examples include MOUs between Singapore Polytechnic and the Federation of Malaysian Manufacturers, Singapore's ITE Education Services (ITEES) and the Johor Skills Development Centre (JSDC) and a Cooperation Note on Talent Development between Republic Polytechnic and the Johor Talent Development Council.

Malaysia's foreign talent passes have strict requirements, which may put the country at a disadvantage in attracting skilled expatriates compared to other countries' generous "golden visas". The DE Rantau Pass caters only to digital nomads in high-tech fields. The Premium Visa Programme for high-income earners imposes hefty participation fees and fixed deposit requirements. The Residence Pass-Talent (RP-T) scheme for skilled expatriates offers flexible terms, but requires prior work experience of three years in Malaysia for most applicants.

A special Malaysia My Second Home (MM2H) residency visa was introduced for the SEZ, with lower fixed deposit requirements and one-off fees, but prohibits most visa holders from working in Malaysia (Table 10).

Table 10: New Malaysia My Second Home (MM2H) Guidelines

Category	Eligibility Criteria	PR Eligibility	Fixed Deposit (US\$ th)	Fixed Deposit Withdrawal	MM2H Visa Validity * Renewable Fees (RM)	Work Eligibility	One-off Fee (RM)	Min Value of Property Purchase (RM th)	Purchase Requirement
Sliver	1. Foreigner from countries with diplomatic relations with Malaysia	No	150	Max withdrawal of 50% of FD principal value	5 years (1,500)	No	1,000	600	Both firsthand and secondhand property purchases are allowed
Gold		No	500		15 years (3,000)	No	3,000	1,000	
Platinum	2. At least 25yrs 3. Application submitted through the MM2H One-Stop Centre 4. Have been in Malaysia for at least 90 cumulative days per year	No	1000		20 years (5,000)	Yes	200,000	2,000	
SEZ/SFZ	Same as above, except reduced minimum age of 21 yrs	No	Ages: 21-49: 65k Ages: ≥50: 32k		10 years (300)	No	1,000	Subject to state authority	

Source: MOTAC, Straits Times

The premium starting salaries compared to the rest of Malaysia, alongside competitive income tax rates, will help attract skilled workers to the SEZ and ease manpower gaps for companies entering Johor. The JTDC's train-and-place programs will ensure better job-matching outcomes, with Singapore's educational institutions lending their long-standing expertise in curriculum design. Although the

¹⁶ CNA, "Malaysian government study warns of 'brain drain', finds 3 in 4 Malaysians living, working in Singapore skilled or semi-skilled", 22 Feb 2024.

SEZ's proposed starting salaries remain lower than in Singapore, working in Johor saves Malaysian workers on rent and high living expenses in Singapore.

Granting businesses the flexibility to bring in staff from abroad will help kickstart their operations in the JS-SEZ, such as managers and subject matter specialists with expertise not easily found locally. An "SEZ Visa" could be considered with favorable terms to attract foreign nationals to work in Johor, with the application process streamlined and fast-tracked so that businesses can quickly respond to changing needs. Fast-track immigration passes should be considered, so that key figures (e.g. senior management or technicians) can quickly travel between the SEZ and company headquarters in Singapore.

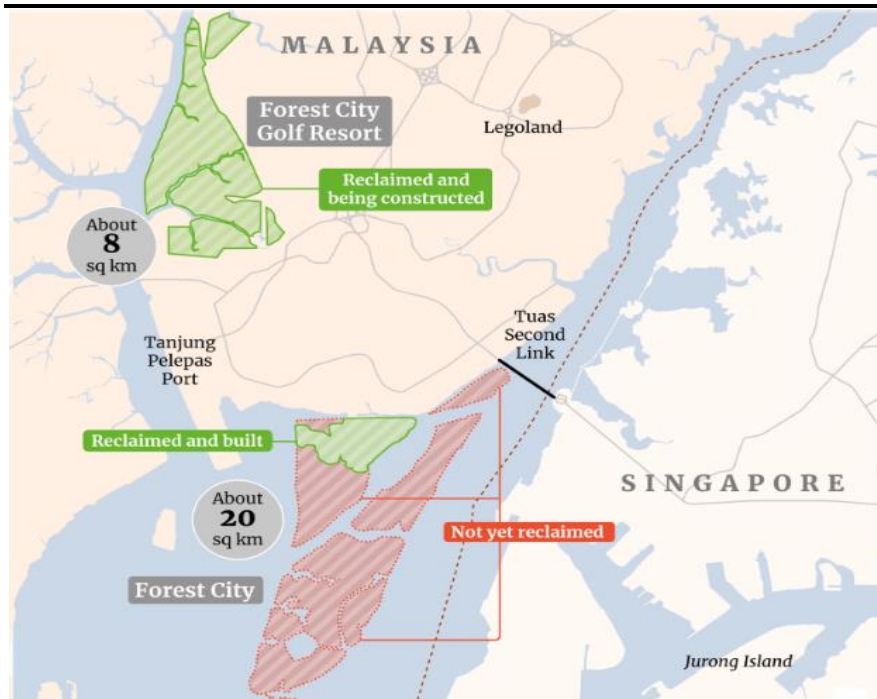
Forest City Special Financial Zone

"Forest City, with its combination of a duty-free island within a Special Financial Zone, presents a unique proposition as a catalyst for economic development within the Southern region of Malaysia, anchored on innovative financial services. Through robust participation by local and international stakeholders, it has the potential to drive growth from Johor into the rest of ASEAN."

Amir Hamzah, Malaysian Second Finance Minister at the launch of Forest City SFZ on 20 Sep 2024

The Forest City Special Financial Zone (SFZ), located within the JS-SEZ was launched in September 2024 (Fig 11). The SFZ aims to position Malaysia as a global hub for finance, business services and family offices, and revive the Forest City development project. Forest City is a 2,800ha integrated residential development in Southwest Johor near the Tuas Second Link, backed by Chinese developer Country Garden.

Fig 11: Forest City SFZ Covers 4 Artificial Islands in the Johor Straits



Source: CNA¹⁷, Forest City Country Garden, Google Maps

The SFZ will prioritize banking and financial services, with logistics services,

¹⁷ CNA, "Analysis: Politics, business viability, diplomacy make purported casino in Malaysia's Forest City a risky bet", 9 May 2024

global service centres and transfer services playing a supporting role.

Key incentives offered include a zero percent tax rate for Single Family Offices (SFOs) for up to 20 years and a flat 15% individual income tax rate (Table 11).

Table 12 summarizes the special tax incentives for banks, fintechs, insurance firms and capital market intermediaries (e.g. relocation cost deductions, enhanced building allowance and withholding tax exemptions) and flexible regulatory and foreign exchange arrangements for foreign banks (e.g. offshore borrowing and investment in foreign currency assets). Logistics and business services firms in Forest City will also enjoy special tax incentives (Table 13).

Forest City SFZ sets lower entry barriers for family offices than the two Asian powerhouses Singapore and Hong Kong. The minimum AUM requirement for the SFZ is RM30mn (S\$9.4mn) compared to S\$20mn in Singapore and HKD240mn (S\$42mn) in Hong Kong, which may attract smaller family offices that do not meet requirements elsewhere. The SFZ may also be a viable destination for SFOs to set up additional branch offices or subsidiaries, given that family offices often diversify their assets across different countries.

Table 11: Forest City SFZ's Incentives for Single Family Offices

	Forest City - Pulau Satu	Singapore (130 Scheme - Resident Fund)	Singapore (13U Scheme- Enhanced-Tired Fund)		
Available from	1Q 2025	2022			
Eligible Fund	New funds located in Pulau 1, Forest City SFZ	New fund entity	No need to be a new fund		
Tax Rate	0% for the first 10 years and can be extended for another 10 years, if certain conditions are met	0% on "specified income" from "designated investments" such as trading income from stocks and shares. Examples of income excluded from the scope of tax exemption are income from real property situated in Singapore, investment in physical gold, and artworks			
Asset under management (AUM)	At least RM 30mn (\geq RM 50mn for additional 10 yrs)	At least S\$10mn at the point of application, 2-year grace period to increase AUM to S\$20mn	At least S\$50mn in Designated Investments		
Local investment requirement	At least 10% of the AUM or RM 10mn, whichever lower	At least 10% of the AUM or S\$10mn, whichever lower, invested in prescribed local investments, climate-related investments and/or blended finance structures with substantial involvement of FIs in Singapore			
Operating expenditure	At least RM 500k spend locally (\geq RM 650k for additional 10 yrs of tax exemption)	Tiered spending framework		Tiered spending framework	
		AUM range	Min. local business spending	AUM range	Min. local business spending
		< S\$50mn	S\$200k	< S\$100mn	S\$500k
		S\$50mn \leq AUM < S\$100mn	S\$500k		
\geq S\$100mn	S\$1,000k	\geq S\$100mn	S\$1,000k		
Employees	Minimum 2 (4 for additional 10 yrs of tax exemption) full-time employees with a minimum monthly salary of RM 10k, at least 1 is an investment professional	Minimum 2 full-time investment professionals, of whom at least 1 is not a family member			
Individual Income Tax Rate	15% flat concessionary tax rate	Progressive tax rate (no concessionary rate)			
Additional Note	Stamp Duty exemption on transfer of properties into Single Family Office Vehicles at initial establishment year				

Source: Compiled by Maybank IBG Research

Table 12: Forest City Special Financial Zone Incentives for Financial Companies

Promoted Activities	Incentive	Conditions
<ul style="list-style-type: none"> • FinTech, Insurtech, Regulatory Fintech, Islamic Fintech • Foreign payment system operators • Financial Global Business Services (GBS)-GSB 	5% tax rate up to 20 years (10 + 10 yrs)	First 10 years: <ul style="list-style-type: none"> • Local operating expenditure • Number of knowledge worker • Technology element (techenabler) • ESG elements Second 10 years: <ul style="list-style-type: none"> • Local operating expenditure and number of worker increased by at least 30%.
<ul style="list-style-type: none"> • Financial Institutions • Insurance / Takaful Companies. • Capital Market Institution • Family Office • FinTech, Insurtech, Regulatory Fintech, Islamic Fintech • Foreign Payment System Operator • Financial Global Business Services (GBS) - GSB for financial institutions, capital market, and fintech companies. 	Other Incentives <ul style="list-style-type: none"> • 10% per annum tax depreciation on building (IBA) • Up to RM 500k special deduction of relocation expenses. • 10 years' withholding tax exemption for services. • 50% Stamp Duty exemption on transfer of property and property loan. 	Operates on Forest City Pulau Satu Commences qualifying activities latest by 31 December 2034.
	Foreign Exchange Flexibilities <ul style="list-style-type: none"> • No limit on investment in foreign currency assets using funds sourced from non-residents or abroad. • No limit on offshore borrowing to finance activities abroad or business operations within the zone. • Subject to fulfilment of conditions: <ul style="list-style-type: none"> ○ One-off registration with BNM via relevant agencies for qualifying companies that require flexibilities. ○ Annual compliance declaration ○ Flexibilities valid for 5 years. Renewal for another 5 years subject to BNM's approval. 	
	Establishment of physical branches beyond existing quota for Locally Incorporated Foreign Banks (LIFBs) <ul style="list-style-type: none"> • Subject to application and BNM's approval 	

Source: Invest Johor, IRDA

Table 13: Key Incentives for Non-Financial Activities in Forest City Pulau Satu

Sector	Qualified Activities/ Condition	Incentives
Smart Logistics	<ul style="list-style-type: none"> • Integrated logistics services • Warehousing • Regional distribution centre • E-fulfilment • Dangerous goods storage • Cold chain facilities • Halal logistics services 	Investment Tax Allowance (ITA) of 100% for 5 years to set off against 100% statutory income
Global Services Hub/Relocation Incentive	First 10 years <ul style="list-style-type: none"> • Local operating expenditure, Number of key personnel, Number of knowledge worker, ESG elements Second 10 years <ul style="list-style-type: none"> • Substantive conditions listed above increased by at least 30% 	Tax rate of 5% up to 20 years (10 + 10)

Source: Invest Johor, IRDA

To attract talent to Forest City SFZ, individual workers will enjoy preferential taxes, stamp duties and property gains tax exemptions (Table 14).

Table 14: Key Incentives for Individuals Working in Special Financial Zone

Incentive	Details
Preferential Tax Rate	Returning expert <ul style="list-style-type: none"> • 15% tax rate for 5 yrs. • Application to submitted by 31 Dec 2027 Knowledge workers <ul style="list-style-type: none"> • 15% flat tax rate • Application to be submitted by 31 Dec 2034.
Stamp Duty	<ul style="list-style-type: none"> • 50% Stamp Duty exemption on transfer of property and property loan. • Applicable for Sales and Purchase Agreement (SPA) completed from 1 Sep 2024 to 31 Dec 2034
Real Property Gains Tax (RPGT)	<ul style="list-style-type: none"> • 0% tax rate after 5 yrs of RPGT for non-Malaysian citizen/non-PR • Applicable for SPA completed on or before 31 Dec 2034.

Source: Invest Johor, IRDA

A robust and vibrant financial ecosystem in Forest City, including fund management services, investment advisory and banking services, will be essential to strengthen network effects and boost the SFZ's appeal. The competition is intense, with the Middle East and other emerging economies like Vietnam also on an aggressive push to build up their financial centres.

Investments are gradually gaining pace. According to the Johor state authorities, 11 companies have expressed interest in entering the SFZ as of November 2024, of which eight plan to set up family offices¹⁸. Four family offices are from Malaysia, while the rest are from Singapore, Indonesia and Taiwan. Encouragingly, several large financial institutions have shown interest, which should strengthen confidence in the future of the SFZ. These include Maybank, Public Bank Bhd, UOB and CLSA. Maybank plans to set up a “phygital” branch at Forest City to offer personalized consultation virtually and provide banking services.

Economic “Report Card” on the JS-SEZ

We use a range of indicators spanning GDP, inflation, exports, foreign and domestic investments, labor force, property prices, and visitor arrivals to provide an overview of Johor's economic progress. This “report card” will help us to track the success of the JS-SEZ in the coming years.

The JS-SEZ will help boost both economies and drive the convergence of GDP and wages per capita between Johor and Singapore. Johor's GDP is currently about 9% of Malaysia's GDP and 7.5% of Singapore's GDP (Fig 13). Johor's median household income was RM6,879 in 2022, higher than national levels, and above 21% of Singapore's.

GDP, Trade and Inflation

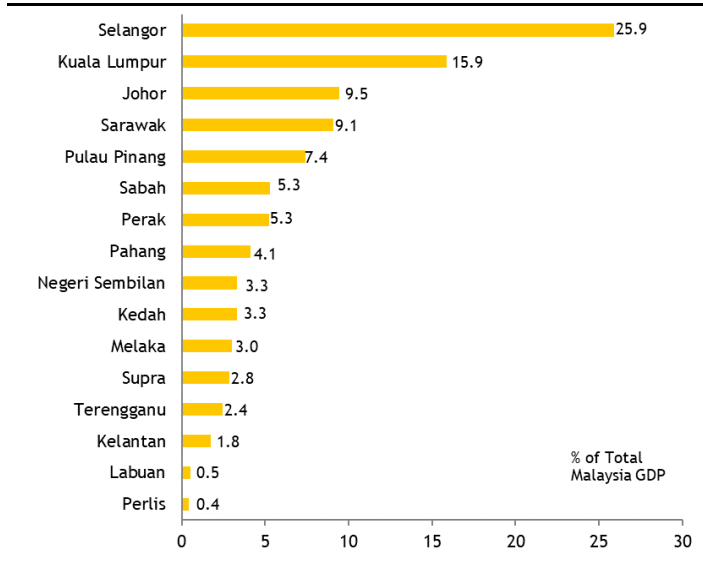
Johor is the third largest state measured by GDP share behind Selangor and KL (Fig 12). Johor's real GDP grew +4.1% in 2023, outpacing Malaysia's overall growth (+3.6%) (Fig 14). Between 2015 to 2023, Johor's economy expanded by +3.8% per annum, the fifth fastest growth after Selangor, Penang, KL and Labuan. Growth was underpinned by construction (+13.2%) and services (+5.4%), likely on the back of infrastructural upgrades, a property boom and rising Singaporean visitors (Fig 15). Services growth

¹⁸ The Edge Singapore, “Forest City manages to attract family offices; Johor continues to attract investments”, 11 Dec 2024.

was led by “utilities, transport & storage and infocomm” (+6.6%) and “wholesale & retail trade, food & beverage and accommodation” (+5.4%).

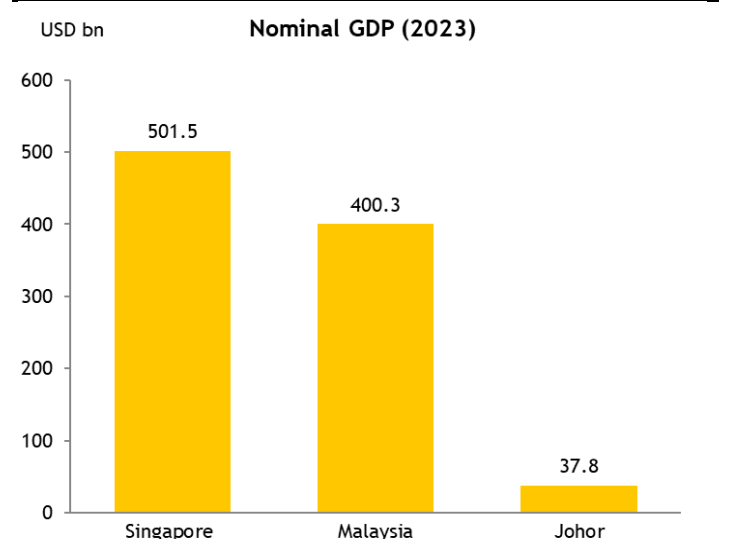
The Johor economy is diversifying from agriculture into services. The agriculture share of GDP was 11.6% in 2023, down from 14.2% in 2015, while services share rose to 54% (vs. 48.2% in 2015) (Fig 16). The manufacturing share has remained stable at around 30% of GDP. Key manufacturing industries include electronics, petroleum & chemicals and food processing.

Fig 12: Johor - Third Largest State in Malaysia, 2023



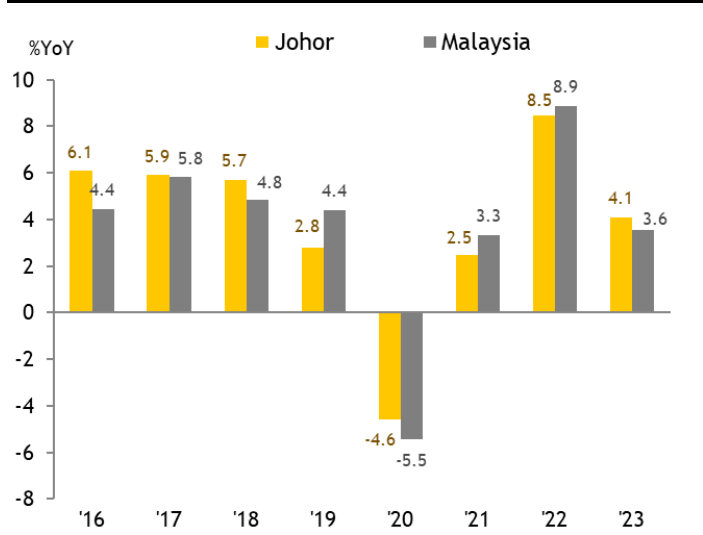
Source: DOSM

Fig 13: Johor’s Nominal GDP Reached US\$37.8bn in 2023, About 9.5% of Malaysia’s GDP and 7.5% of Singapore’s GDP



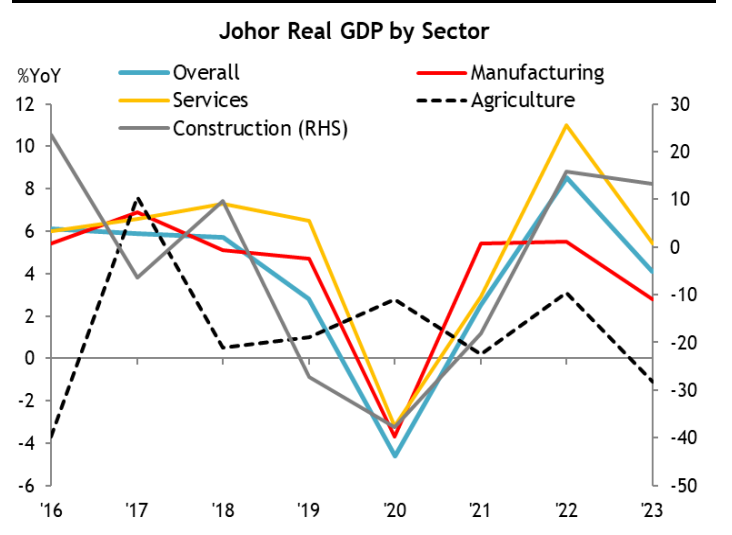
Source: CEIC

Fig 14: Johor’s Real GDP Grew +4.1% in 2023, Outpacing National Growth (+3.6%)



Source: DOSM

Fig 15: Construction (+13.2%) and Services (+5.4%) Were Main Engines of Johor’s Growth in 2023



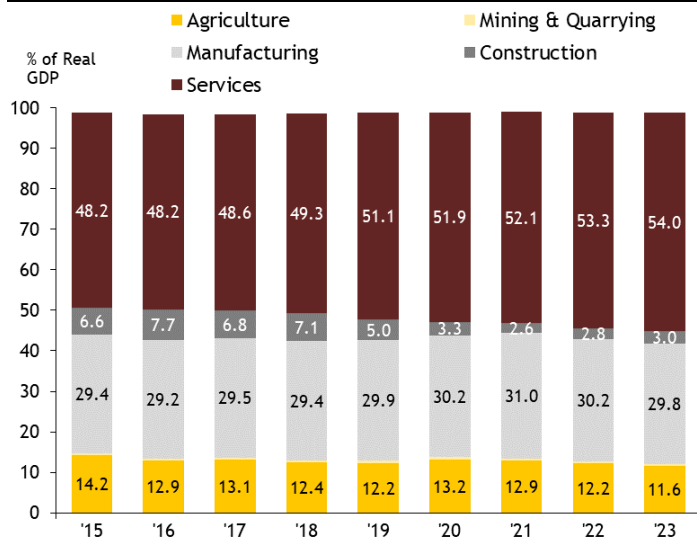
Source: DOSM

Despite its vast geographical span (5th largest state in Malaysia: 19,169 sq km vs. Singapore’s 750 sq km) and large population (2nd biggest population in Malaysia: 4.2mn or 12.3% of country’s population), Johor’s economy of US\$37.8bn is only 9% of Malaysia’s GDP and just 7.5% of Singapore’s GDP, implying substantial growth potential (Fig 13).

Headline inflation, at +1.8% in December 2024, has been cooling in tandem with national inflation (Fig 17). Cost of living increases in the state have been in line with the national gauge, with inflation in Johor and Malaysia averaging 1.8% in 2024 (vs. January 26, 2025

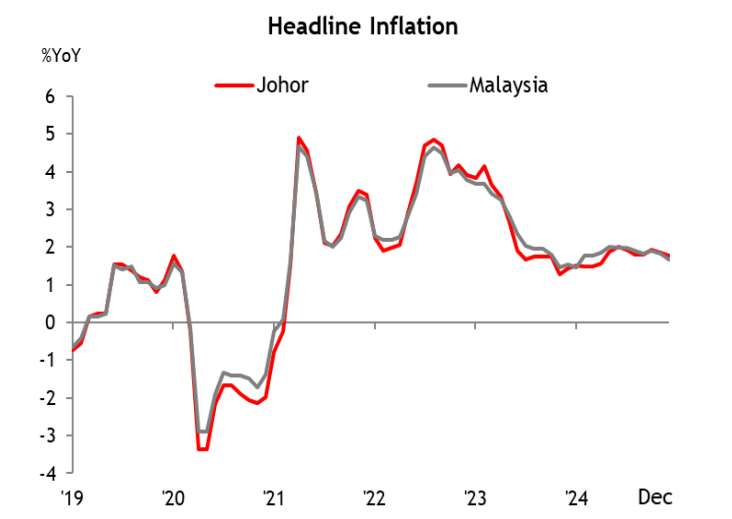
2.5% in 2023).

Fig 16: Johor Diversifying from Agriculture to Services



Source: CEIC

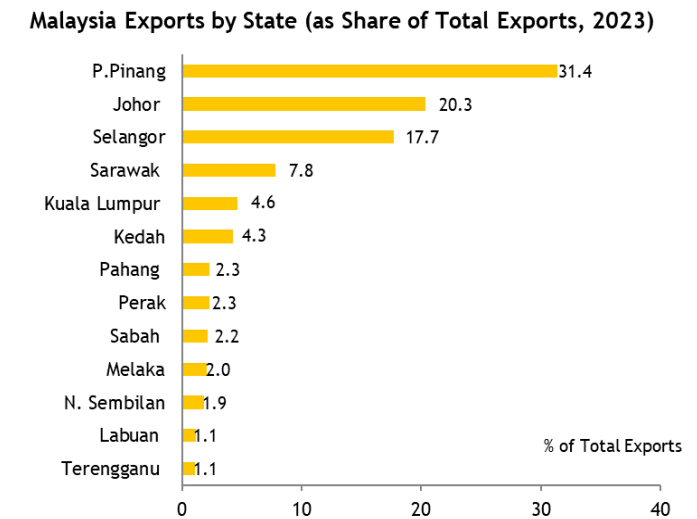
Fig 17: Johor Headline Inflation (+1.8% in Nov) Has Been Cooling, In Tandem with National Inflation



Source: DOSM, Maybank IBG Research

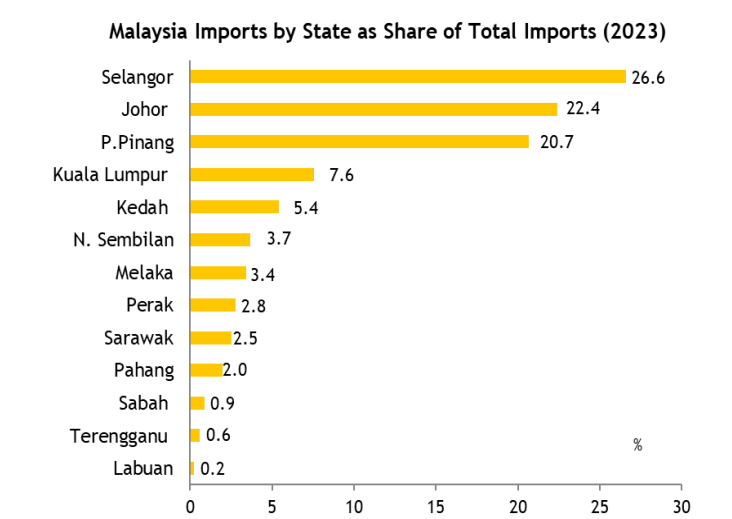
Johor is Malaysia’s second largest exporter by state, accounting for 20% of Malaysia’s total exports in 2023 (Fig 18). As the second biggest importer by state, Johor accounted for 22% of Malaysia’s total imports in 2023 (Fig 19).

Fig 18: Johor Was 2nd Largest Exporting State in Malaysia, Contributing 20% of Total Exports in 2023



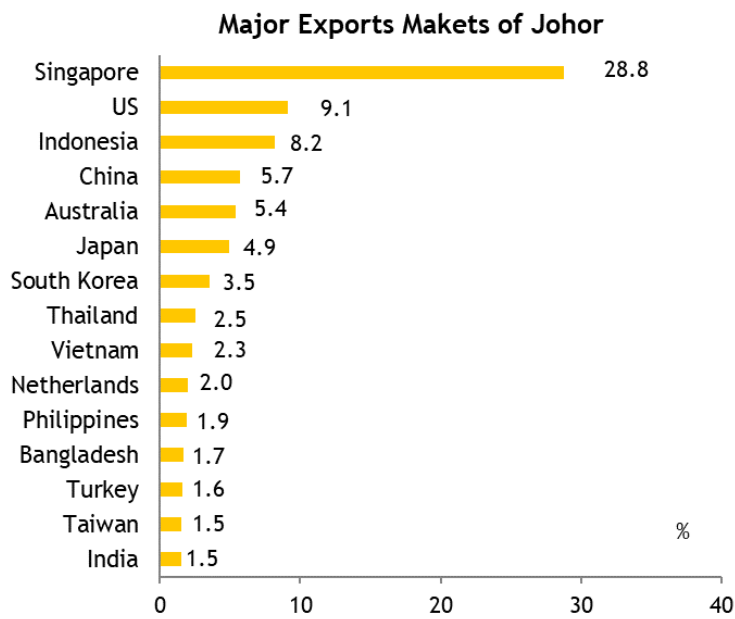
Source: DOSM

Fig 19: Johor Imports Accounted for 22% of Total Malaysia Imports in 2023



Source: DOSM

Singapore is the top destination for Johor’s exports, accounting for 28.8% of the total in 2023. The US (9.1%), Indonesia (8.2%) and China (5.7%) are the next three largest destinations (Fig 20).

Fig 20: Singapore is the Largest Export Market for Johor


Source: DOSM, Maybank IBG Research¹⁹

Johor exported a total of RM290bn in 2023, down -9.9% from the preceding year. Johor's top 3 exports are refined petroleum products (28.8% of total), electronics & electrical products (17.2%) and palm-oil related products (6.5%) (Table 15).

Table 15: Johor Exports by Products in 2023

	Export Values (MYRbn)	Share of Total Exports (%)
Total	290.0	100.0
Refined petroleum products	83.6	28.8
Electronic integrated circuits	28.0	9.7
Other electrical & electronic products	21.7	7.5
Palm oil	11.4	3.9
Palm based oleochemical	7.4	2.6
Electrical apparatus & parts	6.8	2.3
Wooden and rattan furniture	5.8	2.0
Crude petroleum	5.7	2.0
Other palm-based products	5.3	1.8
Telecommunications equipment, parts and accessories	5.1	1.8
Articles of apparel and clothing accessories	3.1	1.1
Piezo - electric crystals & parts	2.7	0.9
Professional, scientific and controlling instruments and apparatus, n.e.s.	2.6	0.9
Cocoa butter, fats and oils	2.5	0.9
Parts and accessories for office machines and automatic data processing equipment	2.1	0.7
Other exports commodities	96.1	33.1

Source: DOSM

Imports amounted to RM271.5bn, driven by petroleum and E&E products (Table 16). Johor's top 3 imports are refined petroleum products (29.2%), crude petroleum (14%) and electronic integrated circuits (8.7%).

¹⁹ Maybank IBG Research, "Malaysia Strategy: JS-SEZ Realising Opportunities", 23 Jan 2025

Table 16: Johor Imports by Products in 2023

	Import Values (MYRbn)	Share of Total Imports (%)
Total	271.5	100
Refined petroleum products	79.3	29.2
Crude petroleum	38	14.0
Electronic integrated circuits	23.7	8.7
Other electrical and electronic products	9.4	3.5
Electrical apparatus & parts	4.9	1.8
Copper (including alloys)	4.4	1.6
Flat-rolled products of iron or steel	4.2	1.5
Machinery & equipment specialized for particular industries & parts	3.7	1.3
Piezo-electric crystals & parts	3.2	1.2
Gold, non-monetary	2.7	1.0
Other valves and tubes, photocells, etc.	2.6	1.0
Manufactures of base metal, n.e.s.	2.2	0.8
Articles of plastics, n.e.s.	2	0.7
Telecommunication equipment, parts and accessories	1.8	0.7
Parts & accessories of tractors, motor cars/other road motor vehicles	1.7	0.6
Other imports commodities	87.8	32.4

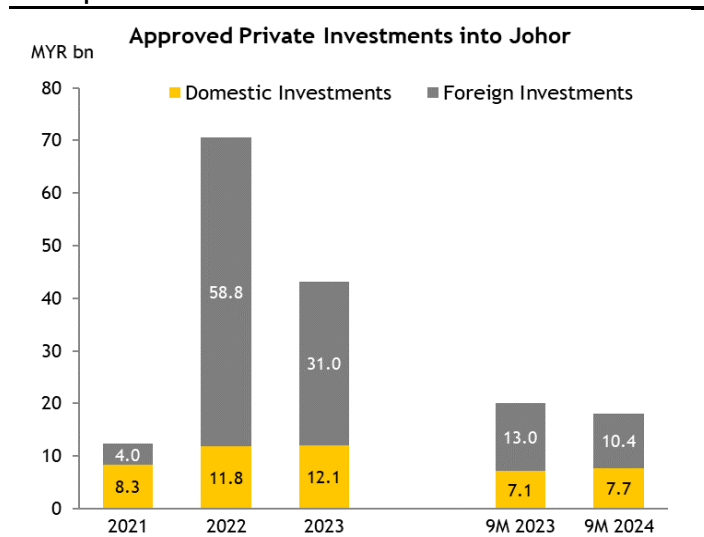
Source: DOSM

Tracking Investments

Approved private investments into Johor saw a strong increase in 2022, and have since been slowing. We expect to see a significant boost from the JS-SEZ. Aggregate investments dipped -10% to RM18.1bn in the first 9 months of 2024 (Fig 21). Foreign investments made up the majority (57.4% or RM10.4bn) of inflows.

Johor was the 5th most popular investment destination in Malaysia over the first 9 months (Table 17), driven by investments in both manufacturing (RM8bn) and services (RM10bn). Nonetheless, investment commitments in Johor were less than a third of Malaysia's capital Kuala Lumpur and the adjacent Selangor state (with each attracted more than RM60bn of commitments). The gap was particularly pronounced for services investments.

Fig 21: Total Investment in Johor Dipped -10% to RM18.1bn in Jan-Sep 2024



Source: MIDA, Maybank IBG Research

Table 16: Approved Investments in Johor over Jan-Sep 2024 Less Than A Third of Top Destinations KL and Selangor

	Total (RM bn)	Manufacturing (RM bn)	Services (RM bn)
Selangor	66.8	15.0	51.7
Kuala Lumpur	63.9	0.3	63.6
Kedah	34	32.6	1.4
Pulau Pinang	22.6	12.1	10.4
Johor	18.1	8.0	10
Total	254.7	88.8	160.7

Source: MIDA, Maybank IBG Research

Manufacturing investment commitments from Singapore rose strongly over 2022 and 2023. Singapore was Johor's largest investor in 2023, accounting for about a quarter of total FDI (Table 18). In contrast, investments from China have declined significantly from their 2021 high, with China making up 7.1% of total FDI in 2023. Other large investors include Taiwan, US and the Philippines.

Table 17: Approved Manufacturing Projects from Major Source Countries into Johor

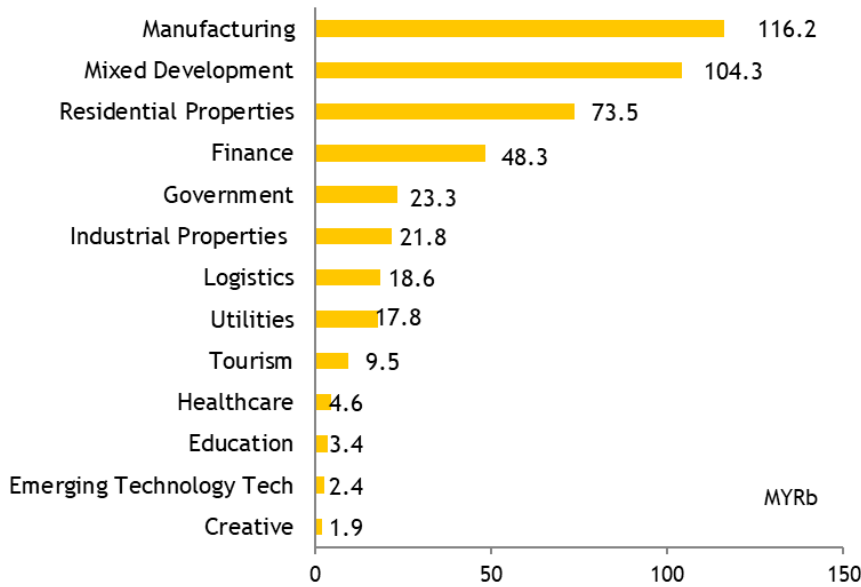
Country	Value (RM)					Share of Total FDI (%)
	2019	2020	2021	2022	2023	2023
Singapore	1,680,020,314	1,957,590,159	781,690,796	4,541,495,686	2,381,507,548	25.2
Taiwan	0	0	4,582,200	495,005,655	1,728,283,750	18.3
US	316,314,492	121,897,316	141,546,127	54,134,747	1,264,092,258	13.4
Philippines	0	0	0	0	1,116,448,697	11.8
Cayman Island	82,937,410	185,968,002	0	0	890,545,150	9.4
China	0	0	1,812,423,592	113,068,466	665,609,145	7.1
Hong Kong	339,138,530	66,780,000	0	1,465,059,200	318,617,337	3.4
Japan	323,435,193	151,294,479	225,688,557	5,301,294,514	267,541,504	2.8
Italy	5,790,000	0	0	0	215,184,670	2.3
Australia	1,127,026	294,504	92,967,426	33,905,264	137,627,624	1.5
UK	201,744,446	43,085,452	47,712,617	13,646,316	105,332,745	1.1
Indonesia	34,204,500	52,205,416	14,050,000	0	95,589,939	1.0
Turkey	106,800,000	0	0	0	45,000,000	0.5
Denmark	2,366,739	0	0	0	39,664,655	0.4
UAE	4,500,000	0	0	0	26,392,851	0.3

Source: Basic Data on the Johor State 2023, Maybank IBG Research

Manufacturing and real estate have attracted the bulk of cumulative investments into Iskandar Malaysia since its formation in 2006 (Fig 22). The JSSEZ should lead to more diversified inflows.

Fig 22: Iskandar Malaysia - Cumulative Investment by Sectors, 2006-1H 2024

Cumulative Investment by Sectors/Industries, 2006-1H 2024



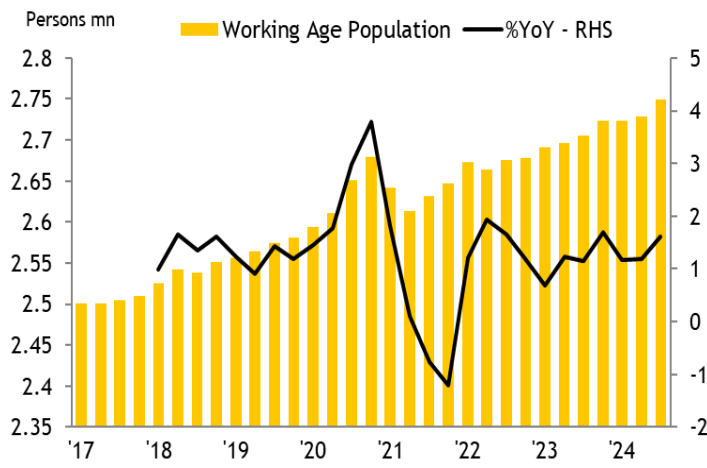
Source: Maybank IBG Research²⁰, IRDA

Tracking the Labor Market

Johor’s labor market has been getting tighter, with population growth lagging behind the workforce. With the right mix of talent attraction policies and favorable visa terms, the JS-SEZ should lead to a faster pickup in Johor’s population levels, providing an abundant supply of skilled labor.

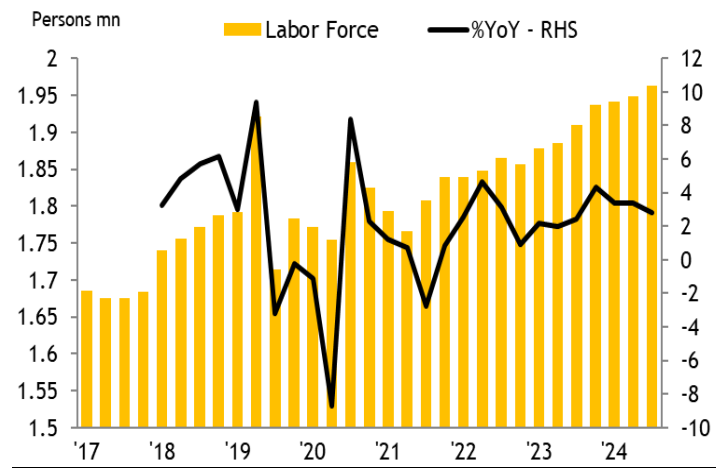
Johor’s labor force was 1.96mn as of 3Q 2024, an increase of +2.8% from a year ago (Fig 24). The working age population (aged 15-64) was about 2.75mn, rising +1.6% year-on-year (Fig 23). With labor force growth outpacing working-age population growth, the labor force participation rate climbed to 71.4% in the third quarter, at its highest since 2Q 2019. Johor’s unemployment rate dipped to 2.3%, below pre-pandemic levels (Fig 25).

Fig 23: Working Age Population Grew +1.6% in 3Q 2024 ...



Source: CEIC

Fig 24: ... Lagging Behind +2.8% Increase in Labor Force



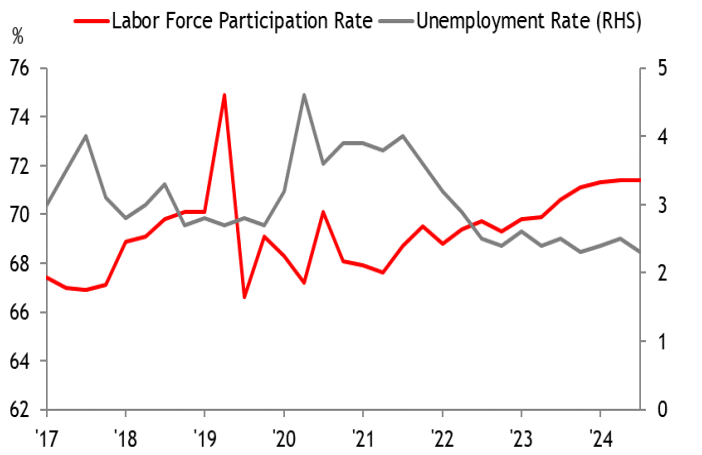
Source: DOSM, Maybank IBG Research

²⁰ Maybank IBG Research, “Malaysia Strategy: JS-SEZ Realising Opportunities”, 23 Jan 2025

As of 2023, about 26.6% of employed persons in Johor were classified as skilled workers (i.e. PMETs), with the majority of Johorean workers semi-skilled (61.6%). Share of skilled workers is lower than nationwide (30.4%) and Singapore (62.6%).

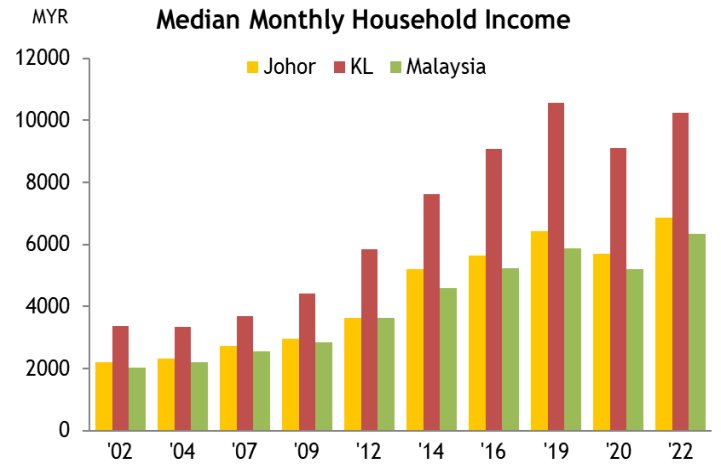
Median household income in Johor was RM6,879 per month in 2022, an +7% increase from 2019 levels (Fig 26). By comparison, the median household income in KL was RM10,234. The gap in income levels between Johor and KL should narrow, as the JS-SEZ brings about more job opportunities and raises wages.

Fig 25: Unemployment Rate Below Pre-Pandemic Levels, Labor Force Participation Rate at Highest Since 2Q 2019



Source: CEIC

Fig 26: Median Household Income in Johor Ahead of National Levels, But Behind KL

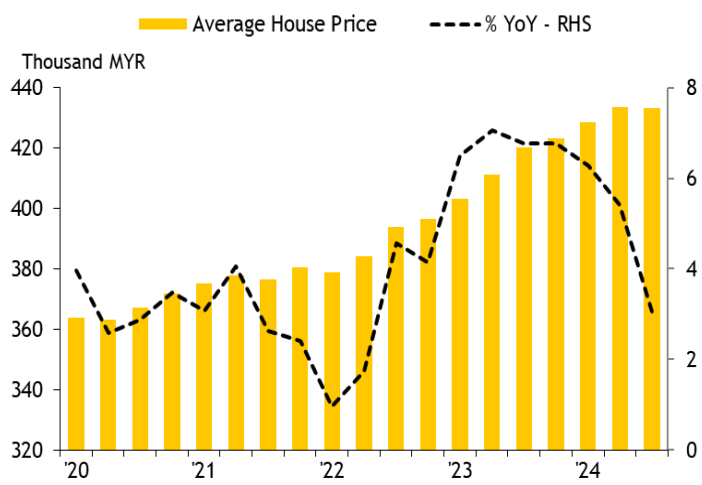


Source: DOSM, Maybank IBG Research

Tracking the Property Market

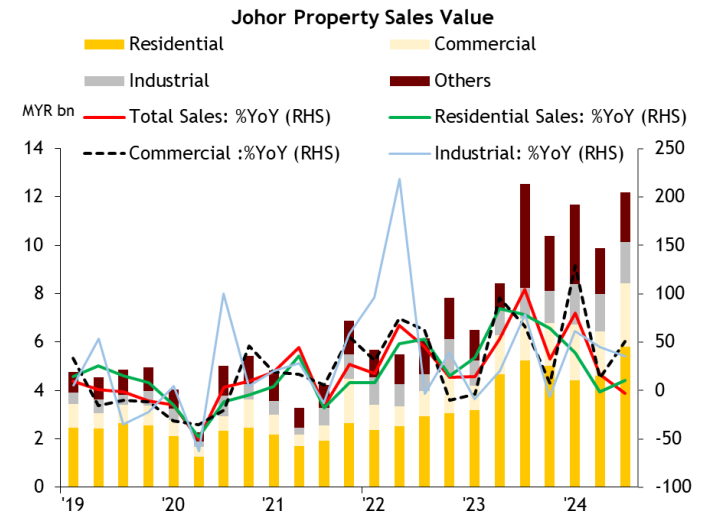
With the influx in investments, property sales have more than doubled from pre-pandemic levels, with strong growth across all categories. In the third quarter of 2024, commercial (+51.1%) and industrial (+35%) property sales saw double-digit increases. There was also robust growth in residential sales (+10.8%). Average house prices have seen firm gains (+21%) over the last five years to RM433.3k in 3Q 2024.

Fig 27: Johor Residential Property Prices Continued to Rise, Albeit at Slower Pace of +3% in 3Q 2024



Source: CEIC

Fig 28: Johor Property Sales Rose to 1-Year High of RM12.2bn in 3Q 2024



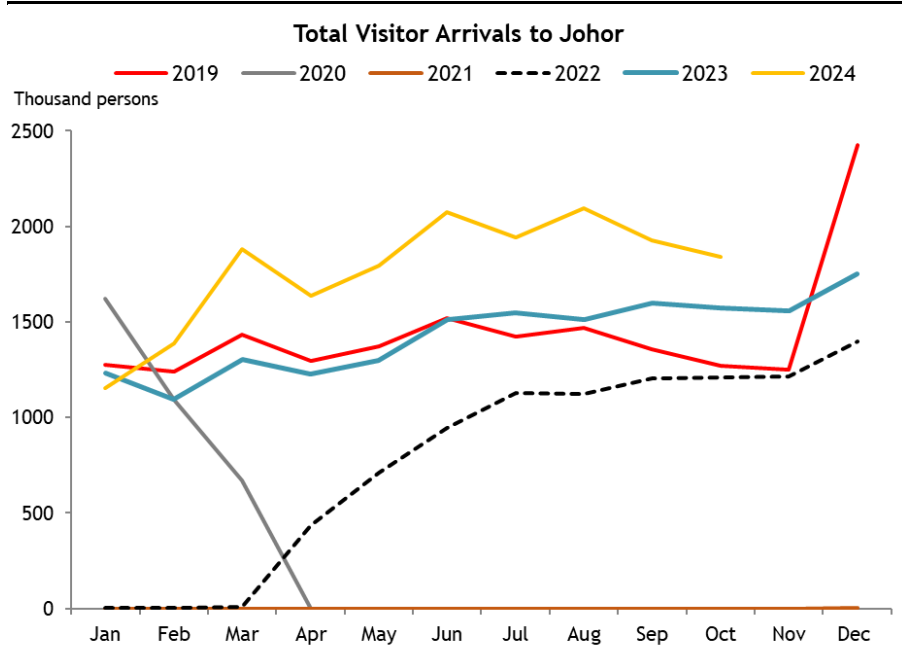
Source: CEIC

Tracking Visitor Arrivals

Johor’s retail and hospitality sectors have benefited from rising numbers of Singaporean visitors, amid the strengthening Singdollar and affordable prices.

Overall visitor arrivals to Johor have been rising strongly, surpassing pre-pandemic levels since Feb 2024. In the first 10 months of 2024, visitor arrivals reached 17.7mn, about 30% higher than the same period in 2019 (Fig 29).

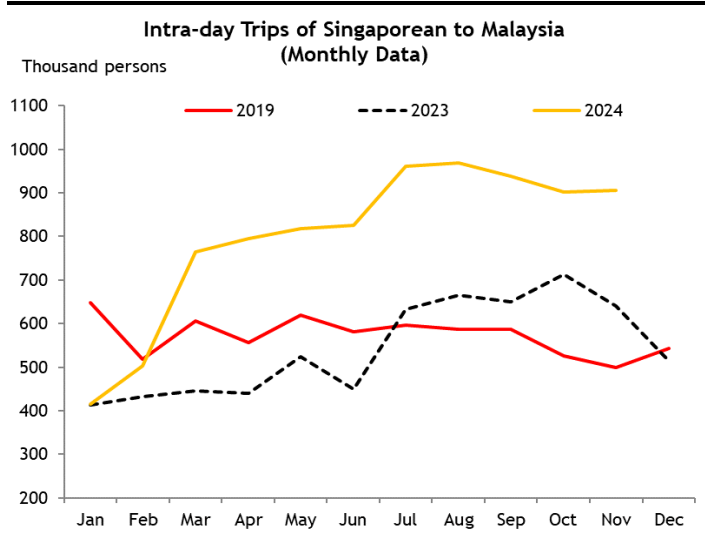
Fig 29: Visitor Arrivals to Johor Reached 17.7mn in Jan-Oct 2024, Surpassing Total of Full-Year 2019



Source: Johor Tourism

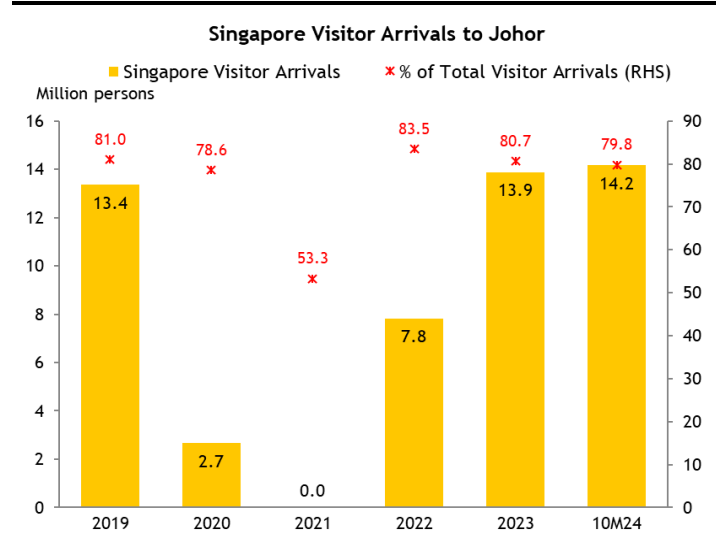
Visitor numbers should continue to climb, as the JS-SEZ improves connectivity and reduces travel time. Number of Singaporean day-trippers to Malaysia (most of whom enter Johor) has surpassed pre-pandemic levels, surging +41.3% from a year ago to 906k in November 2024. Singapore visitors accounted for nearly 80% of visitors to Johor in the first 10 months of 2024 (Fig 31).

Fig 30: Singaporean Daytrippers to Malaysia Reached 14.2mn in First 10 Months of 2024, 38% Above Same Period in 2019



Source: Malaysia Tourism, Maybank IBG Research

Fig 31: Singapore is the Top Source of Johor’s Visitors, Accounting for 80% of Total in First 10 Months of 2024



Source: Tourism Johor, DOSM Open Data Portal, Maybank IBG Research

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