Macro Note

Malaysia: Johor in focus – Powering ASEAN's next economic corridor

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Global Economics & Markets Research
GlobalEcoMktResearch@uobgroup.com
www.uob.com.sg/research

Julia Goh
Senior Economist
julia.gohml@uob.com.my

Loke Siew Ting
Economist
jasrine.lokest@uob.com.my

- Johor's value proposition has drawn growing attention since the Johor-Singapore Special Economic Zone (JS-SEZ) was formally established in 2025. Real momentum underscores its standing as one of Asia's most credible and well-structured cross-border economic integration initiatives. Anticipation is building for the completion of the Johor Bahru–Singapore RTS Link by end-2026, which is expected to markedly enhance connectivity and accessibility.

- At UOB Malaysia's JS-SEZ Strategic Forum 2026 held last week, remarks from Johor Chief Minister YAB Dato' Onn Hafiz underscored strong alignment and firm intent to double down on the JS-SEZ. Amid heightened global uncertainty, including energy security and geopolitical conflict in West Asia, Johor is seeking to anchor itself as a stable and future-ready investment destination. The cross-border integration between Malaysia and Singapore that leverages the strengths of both economies to expand a shared ecosystem is a uniquely compelling, once-in-a-generation opportunity.

- Developments underway in the city centre and flagship zones demonstrate tangible progress beyond headline data. Ambition is accompanied by a pragmatic understanding of on-the-ground realities, with proactive engagement to resolve investor pain points and drive execution. This combination is essential to moving from aspiration to impact as Johor enters its next chapter of transformation.

Progress scorecard – what has been delivered

Since the signing of the JS-SEZ Agreement in Jan 2025, the picture emerging from the data and channel checks suggests genuine momentum and growing interest from both local and foreign investors. After outperforming the national GDP growth rate for two consecutive years, Johor is setting an ambitious 7% growth target for 2026, compared with Malaysia's expected 4%-5%, according to Chief Minister Dato' Onn Hafiz at UOB Malaysia's JS-SEZ forum.

We observed that Johor's progress across four pillars—investment inflows, institutional architecture, physical infrastructure, and enabling regulatory reforms—reinforces this positive trajectory.

I. Investment flows

As ASEAN's only cross-national SEZ, both realised and pipeline investments indicate capital is coming not just from regional intermediaries, but from a diverse set of foreign sources including European, Japanese, and North Asian manufacturers. The JS-SEZ has also emerged as a primary hub for US hyperscale data-center operators, which typically adopt a twinning strategy – maintaining headquarters in Singapore while placing core operational assets in the JS-SEZ. In his keynote address, Dato' Onn highlighted that Singapore accounted for MYR58.3bn of the MYR110bn in investments approved for Johor in 2025.

II. **Institutional architecture**

The Invest Malaysia Facilitation Centre-Johor (IMFC-J), operational since Feb 2025, represents a qualitative upgrade as a one-stop shop for investors. Crucially, IMFC-J operates as a co-located, joint federal-state-local authority that connects several agencies under one roof. This is complimented by Singapore's JS-SEZ Project Office established by the Ministry of Trade and Industry, the Economic Development Board, and Enterprise Singapore in Apr 2025, which aims to facilitate cross-border investments and streamline the process for Singapore companies expanding into Johor.

III. **Physical infrastructure**

The Johor Bahru-Singapore Rapid Transit System (RTS) Link alone shows measurable progress that will transform the economics of the corridor. An approximately five-minute rail connection between Bukit Chagar (Johor Bahru) and Woodlands (Singapore) eliminates one of the most persistent physical deterrents to cross-border mobility. The (RTS) Link Bill 2026 was passed by the Malaysian Parliament in Feb 2026 to establish the legal framework for joint customs, immigration, and quarantine (CIQ) operations. This enables passengers to clear both Malaysian and Singaporean immigration only once at the point of departure. Malaysian immigration and customs officers will be stationed at the Woodlands North MRT station in Singapore to conduct checks on passengers and goods heading to Malaysia. Civil works on the RTS is ~93% complete on the Malaysian side, and ~80% on Singapore's side. It is expected to begin operations by Jan 2027.

IV. **Regulatory enablers - early wins and tangible results**

The Malaysian Investment Development Authority (MIDA) has provided the framework across nine flagship zones spanning advanced manufacturing, logistics, energy, digital economy, green economy, healthcare, financial services, food security, tourism, business services, and education. The Johor Super Lane fast-track approval mechanism is live for priority sectors.

Leadership signals - remarks from Johor Chief Minister

Leadership signaling matters in investment decisions, particularly as investors assess whether a credible and capable government framework exists to support the development of a thriving ecosystem. These themes were underscored during a fireside chat at UOB Malaysia's JS-SEZ Strategic Forum 2026, *"Transforming Strategy Into Success: Forging JS-SEZ's Next Chapter,"* moderated by UOB Malaysia CEO Ms Ng Wei Wei with Dato' Onn Hafiz.

During the discussion, critical questions were raised, and the Chief Minister provided a candid, balanced assessment covering on-the-ground efforts to address investor pain points, governance enhancements to improve the investor experience, the state's ambitions, collaboration with Singapore counterparts, and the success of ecosystem-building initiatives. A key takeaway shared by Dato' Onn was the effort to link federal and state agencies, enabling simultaneous approvals that shortened the approval process by 12 months. He added that coordination between government agencies, business chambers, and private institutions is helping to meet investors' talent requirements.

Dato' Onn addressed the postponement of the JS-SEZ master plan and investment blueprint, originally slated for launch on 30 Mar 2026. He viewed the delay as a timing consideration to secure endorsement by all relevant agencies and further blueprint refinement. He also called for dedicated funding for infrastructure and talent development, special passes to facilitate skilled worker mobility and cross-border movement, and the introduction of a regulatory sandbox to improve ease of doing business.

Dato' Onn described this as a *"once-in-a-generation"* opportunity, as unprecedented policy alignment between Malaysia and Singapore enables the pairing of Singapore's global financial standing with Johor's extensive resources to build an economic powerhouse. He addressed concerns about resource utilization in the state given the dominance of data center pipelines. There is also a recognition that the JS-SEZ is not merely an inward investment project but a vehicle for broad-based development that aims to create 20,000 high skilled jobs and deliver 100 high-impact projects over the next decade.

Key focus areas

To reinforce the JS-SEZ's investment proposition, the state government is prioritising measures to deepen talent and skills alignment, alleviate land border congestion and last-mile logistics frictions, enhance power and water supply reliability, expand affordable housing and livability infrastructure to support a scalable workforce.

I. Talent and skills

Advanced manufacturing, data centre operations, Artificial Intelligence (AI) infrastructure, green energy, and life sciences demand workers with specialized skills that take years to develop. Johor's skills shortage is not unique, as it reflects the same structural challenge confronting Malaysia broadly in its transition from a middle-income to high-income status.

Given the wage gap differential between Singapore and Johor, a managed salary framework- supplementing Malaysia's salaries with other non-wage incentives to nurture and retain a skilled workforce is necessary. The Johor Talent Development Council (JTDC), chaired by Dato' Onn, has a sector-specific salary guidance framework under development and formalized educational as well as Technical and Vocational Education and Training (TVET) partnerships in response to this challenge.

II. Mobility, connectivity and logistics

A Singapore Business Federation survey flagged land-border traffic congestion and cargo movement constraints as an issue particularly for the manufacturing and logistics hub. Despite improvements from digital customs processes and QR-based clearance, capacity constraints and peak-period congestion persist at the Johor–Singapore Causeway and Second Link, particularly for logistics and freight movements. For manufacturers dependent on just-in-time inventory management, border unpredictability is a material operational risk. This continues to influence location decisions for logistics-intensive industries, ahead of the RTS Link's operationalisation and improvements to cargo clearance capacity.

III. Power and water supply

Data centre developers rank among the most capital-intensive and strategically significant investors within the JS-SEZ. Their investment decisions depend heavily on the availability of reliable and scalable power and water infrastructure to support long-term operations.

At the same time, concerns around overheating risks and the potential strain on local energy and water resources have prompted a growing emphasis on green data centre standards. This has also led to a more selective approach toward new approvals, with increasing scrutiny of non-AI-related data centre developments.

IV. **Affordability and livability**

As the JS-SEZ attracts a critical mass of manufacturing, technology and services operations, the demand for affordable, quality housing for mid-skill workers such as technicians, engineers, logistics supervisors, and healthcare workers, will intensify. Johor's residential property market is already experiencing upward price pressures from investment inflows.

If housing prices and the broader cost of living increase more rapidly than wages in the zone's priority sectors, Johor could face challenges in retaining the workforce it is seeking to develop. In this context, Dato' Onn's emphasis on affordable housing under the Maju Johor 2030 agenda is appropriately framed. However, implementation timelines may need to be accelerated to keep pace with the current momentum of investment inflows.

This is Johor's moment

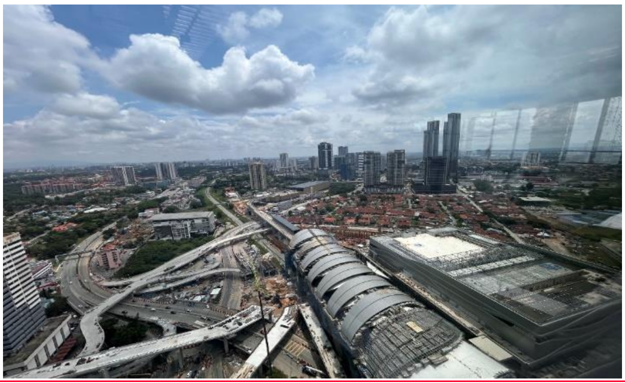
Despite current global challenges, the structural tailwinds supporting the JS-SEZ remain strong and are expected to persist over the medium- to long-term horizon.

- The China-plus-one re-anchoring trends suggest that Johor is capturing a meaningful share of supply-chain diversification.
- Given Singapore's land constraints and power limitations, Johor has emerged as a natural complement, providing the scale, capacity, and infrastructure needed to support continued regional growth.
- The scale of committed financing and recent ground-breakings by hyperscalers serve as early indicators of a deepening investment pipeline in AI infrastructure, cloud computing, and digital services.
- The push toward sustainable data-centre developments highlight the importance of building an integrated green-energy ecosystem.
- The JS-SEZ's healthcare flagship zone provides high-quality, cost-competitive medical services catering to ASEAN's ageing populations amid rising middle-class healthcare expenditure.
- Pengerang flagship zone already hosts large-scale refining, petrochemical, and storage facilities, forming a strong foundation for energy resilience.
- In the context of heightened energy-security concerns, scaling up Pengerang's storage, flexible generation, and low-carbon energy capabilities would strengthen its role as an energy backstop while reinforcing Malaysia's long-term energy security and transition ambitions.

Taken together, the Johor corridor stands out as a compelling destination within ASEAN. The global reallocation of capital toward Southeast Asia—driven by geopolitical fragmentation, supply-chain realignment, and the AI infrastructure supercycle—appears both tangible and durable. Johor is uniquely positioned at the nexus of these trends, supported by land availability, strategic geography, institutional capacity, and committed leadership needed to capture this opportunity. During the forum, Dato' Onn remarked *"the stars are aligned"*. The investment case for Johor as a safe-haven destination is stronger than at any point in the past, with the core challenge shifting toward consistent and effective execution.

JB-Singapore RTS Link development

Source: UOB Global Economics & Markets Research



Transformation of Downtown Johor Bahru

Source: UOB Global Economics & Markets Research

Tracked investment flows

Source: News media, Global Economics & Markets Research

	2025	2024
Johor investments approved	Overall: MYR110bn FDI: MYR60.5bn Domestic: MYR49.5bn	Overall: MYR47.8bn FDI: MYR29bn Domestic: MYR18.8bn
IMFC-J identified pipeline	MYR29.5bn in potential interest between Jan-Sep 2025, tracked from 104 potential investors	
IMFC-J enquiries	Received 1,000 enquiries, facilitating MYR73bn in potential investments	

Physical infrastructure progress

Source: News media, Global Economics & Markets Research

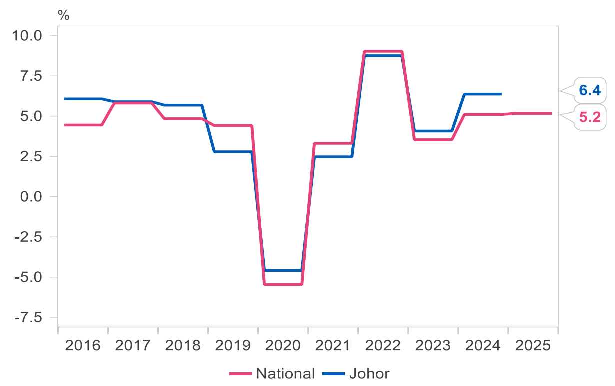
Project	Status
RTS Link (Johor Bahru–Singapore)	Civil works 93% complete on Malaysian side, 80%+ on Singapore's side. Rail installation to begin; commercial service by Dec 2026. Capacity: 10,000 pax/hour; projected 40,000 daily passengers.
QR-Code / Passport-Free Clearance	Operational for Malaysian passport holders since Jun 2024. Expansion to Singaporeans and foreign passport holders on a trial basis from 22 Sep 2025 to 28 Feb 2026. Aims to cut daily clearance time for 400,000 commuters to 20 minutes.
Digital Customs Processing	Single transshipment permit now replaces two — cutting processing time by 50% and saving SGD40 per application.
Electrified Double Track	ETS (Kuala Lumpur to Johor Bahru) is a direct intercity electric train service connecting Kuala Lumpur to the southern gateway at Johor Bahru Sentral . Officially launched in Dec 2025 following the completion of the Gemas-Johor Bahru Electrified Double-Tracking Project.
Autonomous Rapid Transit (ART)	32-station, 50+ km system within Johor Bahru.

Nine flagship areas of JZ-SEZ and 11 economic sectors

Source: IMFC-J, UOB Global Economics & Markets Research

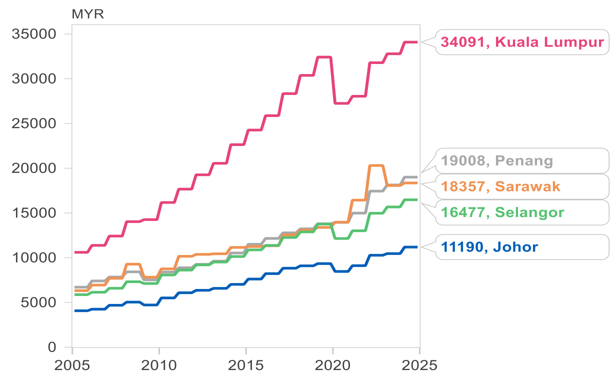
Johor GDP growth

Source: Macrobond, UOB Global Economics & Markets Research



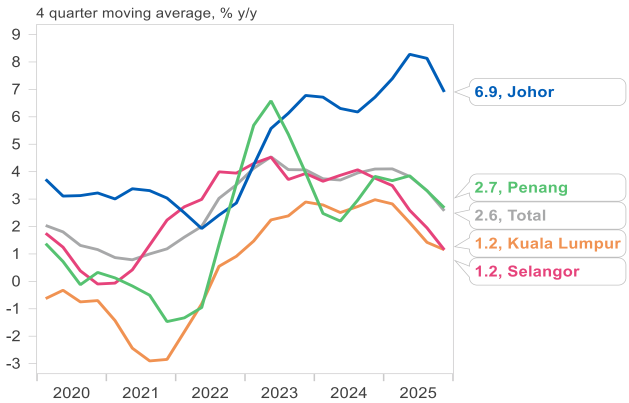
GDP per capita

Source: Macrobond, UOB Global Economics & Markets Research



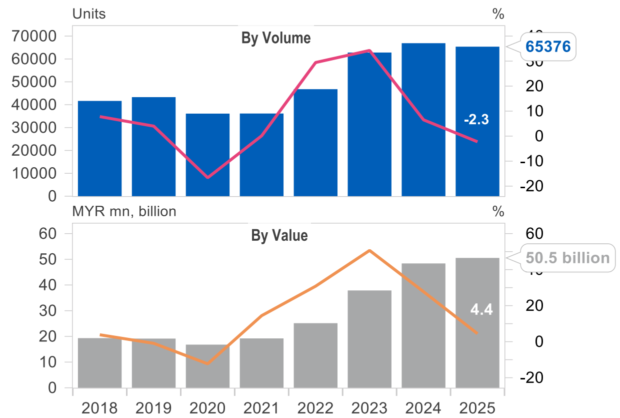
Home prices by state

Source: Macrobond, UOB Global Economics & Markets Research



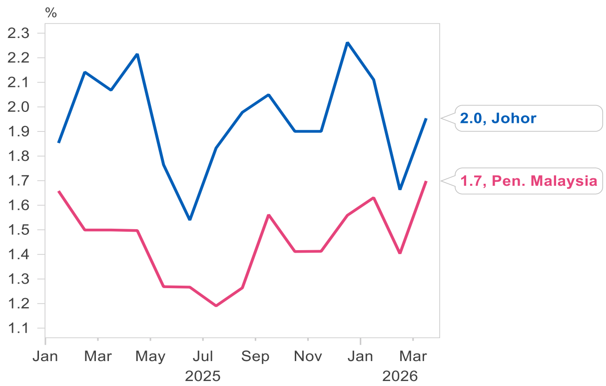
Property transactions in Johor

Source: Macrobond, UOB Global Economics & Markets Research



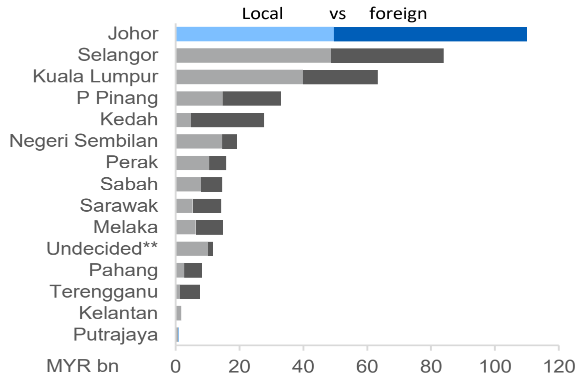
Inflation in Johor

Source: Macrobond, UOB Global Economics & Markets Research



Overall investment approvals by state

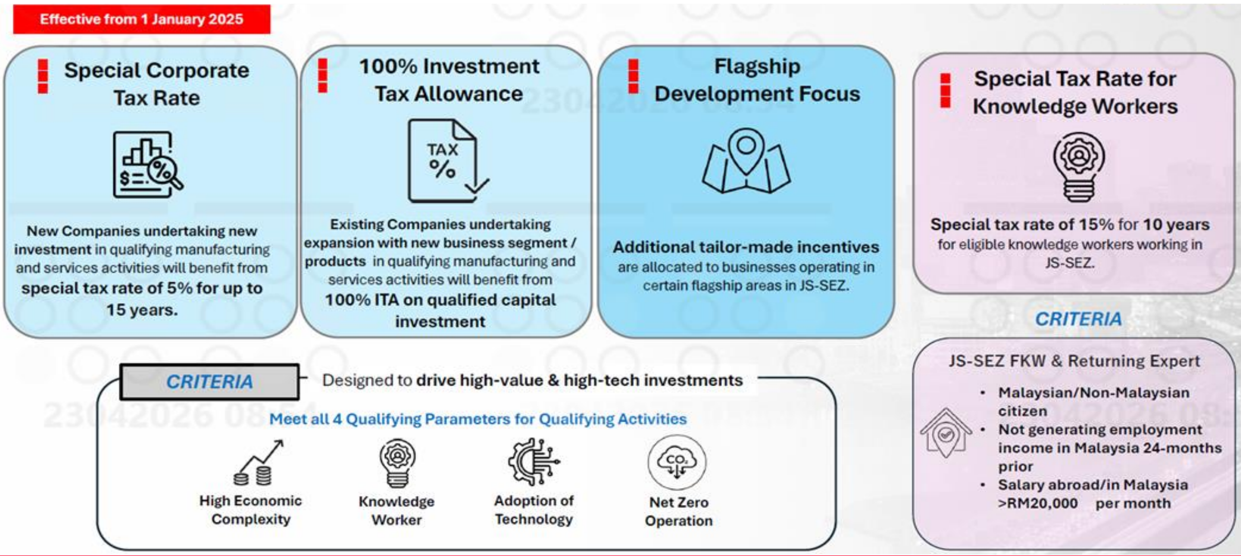
Source: MIDA, CEIC, UOB Global Economics & Markets Research



***: Proposed state details not available*

JS-SEZ: Special tax incentive package

Source: IMFC-J, UOB Global Economics & Markets Research



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