



## **BEYOND BORDERS: JOHOR IS REWRITING MALAYSIA'S ECONOMIC PLAYBOOK**

### **Executive Summary**

Johor stands at a critical crossroads in Malaysia's pursuit of a second economic take-off. With the nation recalibrating its growth trajectory, Johor is emerging as the testing ground for a bold, new model, one that shifts the gears of development from state-led initiatives to a private-sector-driven engine of progress.

The push for greater economic autonomy positions Johor as the frontier of regional development, where success could redefine the nation's approach to investment, industry and innovation. If Johor thrives, it will set the blueprint for Malaysia's future prosperity. If it falters, the nation risks missing a pivotal window for reinvention.

The 2025 Economic Outlook Forum, jointly organised by Bank Muamalat Malaysia Berhad and CEREBRUM by JCorp, aimed to assess Johor's role in Malaysia's economic strategy and identify key areas for growth. The forum brought together policymakers, industry leaders and researchers to explore how Johor can leverage its strategic location, infrastructure and workforce development to contribute to national economic goals.

The conference outlined five key recommendations as strategic pillars that will shape Johor towards becoming Malaysia's economic powerhouse:

1. Strengthening the JS-SEZ framework to attract high-tech industries and foreign direct investment (FDI)
2. Prioritise infrastructure development as an economic enabler
3. Invest in human capital and workforce readiness
4. Drive innovation and technological competitiveness
5. Enhance economic autonomy and policy agility

## **Global headwinds and Johor's window of opportunity**

The global economy in 2025 remains shaped by uneven recovery patterns and persistent structural challenges. The United States is expected to maintain moderate momentum, with GDP growth projected at approximately 2%, supported by consumer spending and technological innovation. In contrast, growth in the Eurozone and the United Kingdom continues to slow due to tighter monetary policies, geopolitical uncertainties and sluggish industrial output.

Across major economies, inflationary pressures persist. Central banks are navigating a delicate balance between curbing inflation and sustaining growth. In the US and Europe, policy rates remain high compared to pre-pandemic levels, influencing capital flows and investor sentiment globally.

Amid this backdrop, ASEAN continues to demonstrate economic resilience. The region is projected to grow at a collective rate of 4.7% in 2025, led strong exports and public capital spending in the larger economies. Malaysia's economy, in particular, remains steady with forecasted growth of 4.2–4.5% and improving export diversification.

Johor, situated at the southern gateway of Peninsular Malaysia, is strategically positioned to tap into these regional trends. Its proximity to Singapore as ASEAN's leading innovation and finance hub offers a competitive edge for cross-border economic cooperation. The Johor-Singapore Special Economic Zone (JS-SEZ), formalised through a bilateral MOU in early 2024, is expected to reduce regulatory frictions, align incentives, and accelerate trade and investment flows.

In terms of fundamentals, Johor secured RM30.1 billion in approved investments, making it the state with the highest investment performance in Malaysia for that period. The state government is further targeting a total of RM60 billion to RM100 billion in approved investments for the entire year. Additionally, the state is also expanding its technical and vocational education (TVET) footprint through partnerships with institutions such as Universiti Teknologi Malaysia and Singapore Polytechnic.

With rising investor interest in Southeast Asia and increasing supply chain diversification, Johor is positioned to emerge as a high-value node in the regional economy.

## **Strategic Pillars for Johor's Economic Growth**

The JS-SEZ presents a unique opportunity to position Johor as a high-value investment destination. To position Johor as Malaysia's most advanced economic state by 2030, the 2025 Economic Outlook Forum identified five strategic pillars that must be prioritised:

- 1. Strengthening the JS-SEZ framework to attract high-tech industries and foreign direct investment (FDI)**

The Johor-Singapore Special Economic Zone represents a transformative opportunity to catalyse regional integration and attract high-value investment. To maximise its impact, targeted incentives must be offered to firms in advanced manufacturing, the digital economy and green technology sectors. A seamless and predictable regulatory framework is crucial in attracting global investors and creating a business environment conducive to innovation and scale.

Strengthening cross-border collaboration with Singapore is also essential to facilitate knowledge exchange, particularly in research, digitalisation and sustainability. This includes establishing clear mechanisms for technology transfer, joint innovation initiatives and mobility pathways for skilled workers and startups across both jurisdictions.

## **2. Infrastructure development as an economic enabler**

Robust infrastructure remains a critical foundation for sustainable economic expansion. Johor's existing assets which include major highways, seaports, airports, and data centres must be optimised and expanded.

High-priority initiatives include accelerating the high-speed rail (HSR) link between Johor and Kuala Lumpur, upgrading logistics corridors and enhancing last-mile connectivity to facilitate trade and business expansion.

In parallel, smart city projects must be scaled to enhance urban liveability, connectivity, and energy efficiency, thereby creating the foundation for a more sustainable and digitally enabled future. As part of this effort, Johor should establish dedicated zones for tech-driven industries in order to position the state as a key enabler of Malaysia's digital economy ambitions.

## **3. Investing in human capital and workforce readiness**

A sustainable growth trajectory requires a skilled workforce. To address the talent gap, industry-academia collaboration should be deepened to ensure curricula remain aligned with evolving job market needs. Expanding technical and vocational education and training (TVET) offerings will also be essential in equipping Johoreans with the skills required in high-demand sectors that have been outlined in the JS-SEZ, particularly in technology, engineering, logistics and renewable energy.

At the same time, Johor must develop an inclusive ecosystem that retains local talent while attracting global expertise. This includes rethinking talent mobility policies and creating structured pathways for career advancement, upskilling and opportunities to cultivate entrepreneurship.

#### **4. Driving innovation and technological competitiveness**

To sustain long-term economic growth, Johor must build a robust innovation ecosystem. This includes establishing dedicated research and innovation hubs focused on frontier locally grown technologies, as well as building collaborations between universities, public research institutions and the private sector.

On the commercial side, strategic partnerships between multinational corporations (MNCs) and local startups should be encouraged to facilitate knowledge exchange, joint ventures and mentorship opportunities. In support of this, policies at both the state and national level should actively incentivise digital transformation across traditional industries.

#### **5. Enabling economic autonomy and policy agility**

For Johor to lead Malaysia's next phase of development, the state must be empowered with greater economic decision-making autonomy. Decentralisation measures should be implemented to allow the state government and their stakeholders to design and adapt investment policies that reflect local priorities and market realities.

A stronger engagement with the private sector is also key to maintaining a business-friendly regulatory environment that reflects real industry needs. This collaboration should directly inform the design of fiscal incentives, ensuring they are strategically tailored to attract and retain high-impact industries. By aligning policy tools with market demands, Johor can strengthen its competitiveness both regionally and globally.

#### **Conclusion and call to action**

Johor's economic potential is vast, but realising it requires strategic action. The Insights from the 2025 Economic Outlook Forum provide a roadmap for policymakers, investors and industry leaders to harness Johor's strengths effectively.

By fortifying the JS-SEZ framework, enhancing infrastructure, investing in human capital and focusing on driving innovation, Johor can solidify its status as Malaysia's premier economic powerhouse. Realising this vision will demand close collaboration between the state government and key stakeholders, ensuring that the vision of Johor as Malaysia's most developed state by 2030 becomes a reality.

## Data sources and references

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