



Socio-Economic  
Research Centre

社会经济研究中心

# **Quarterly Economy Tracker (Oct-Dec 2023 & 2024 Outlook)**

## **Malaysia's Policy Setting and Reckoning**

Lee Heng Guie  
Executive Director  
11 January 2024



# Agenda

1

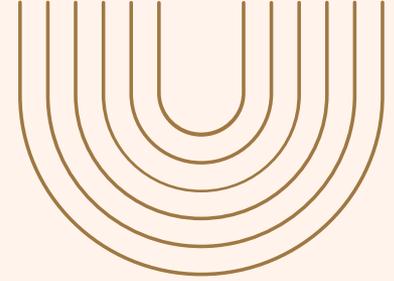
**Global Economy: Slow and Uneven Growth**

2

**Malaysia's Economic Outlook: Still Growing Amid Cross-Current Headwinds and Tailwinds**

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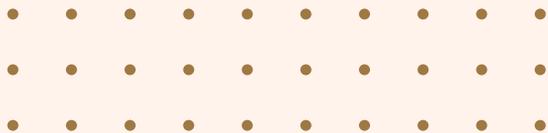
**Johor-Singapore Special Economic Zone (JS-SEZ): Cross-Border Collaboration for Complementary Economic Synergies**



# Global Economic Outlook

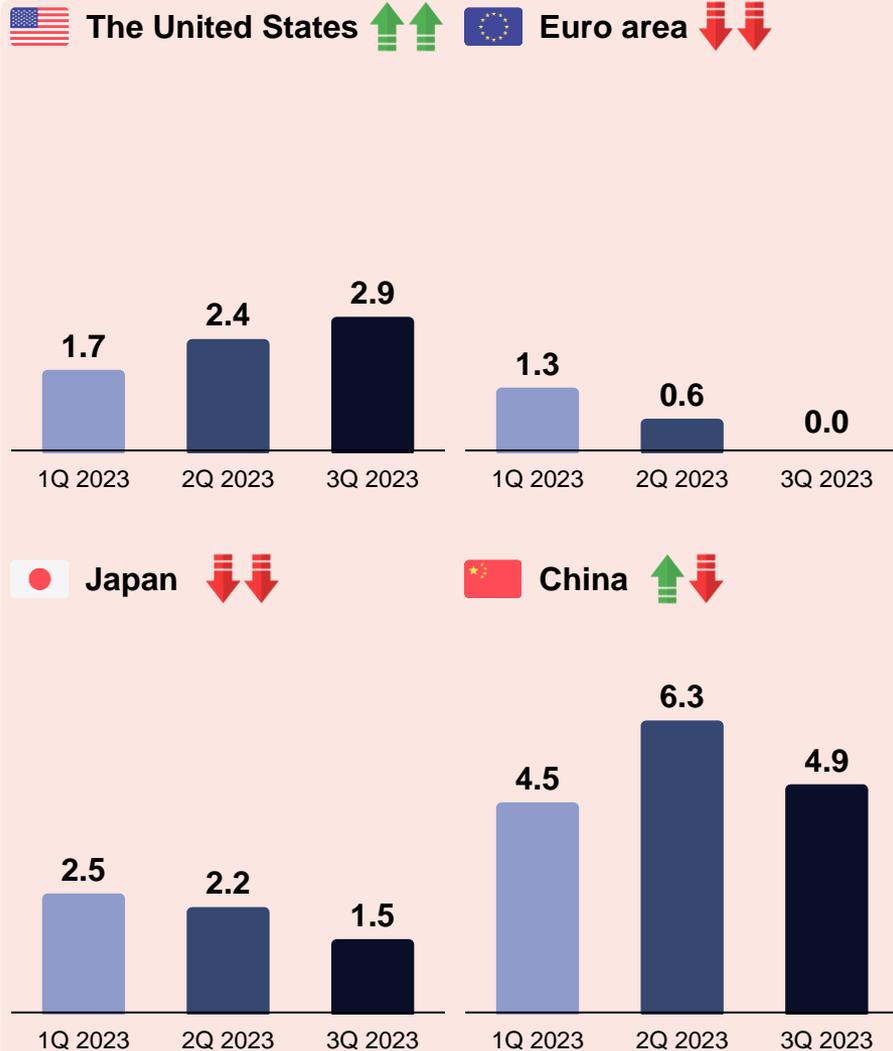
## Slow and Uneven Global Growth

- *Global economy is motoring on in 2023, largely supported by a resilient US economy while China's growth fell short of expectations, dragged by malaise in the real estate sector*
- *The lag impact of higher interest rates and continued geopolitical risks would slow the global economy in 2024 (estimated 2.7% vs. 3.0% in 2023)*
- *Keeping a close watch on the US economy and China - Will there be a delayed recession in the US? Will China's economic risks intensify in 2024?*
- *"Uncertainty" about global monetary stance*
- *Geo-economic conflicts as well as non-economic shocks*

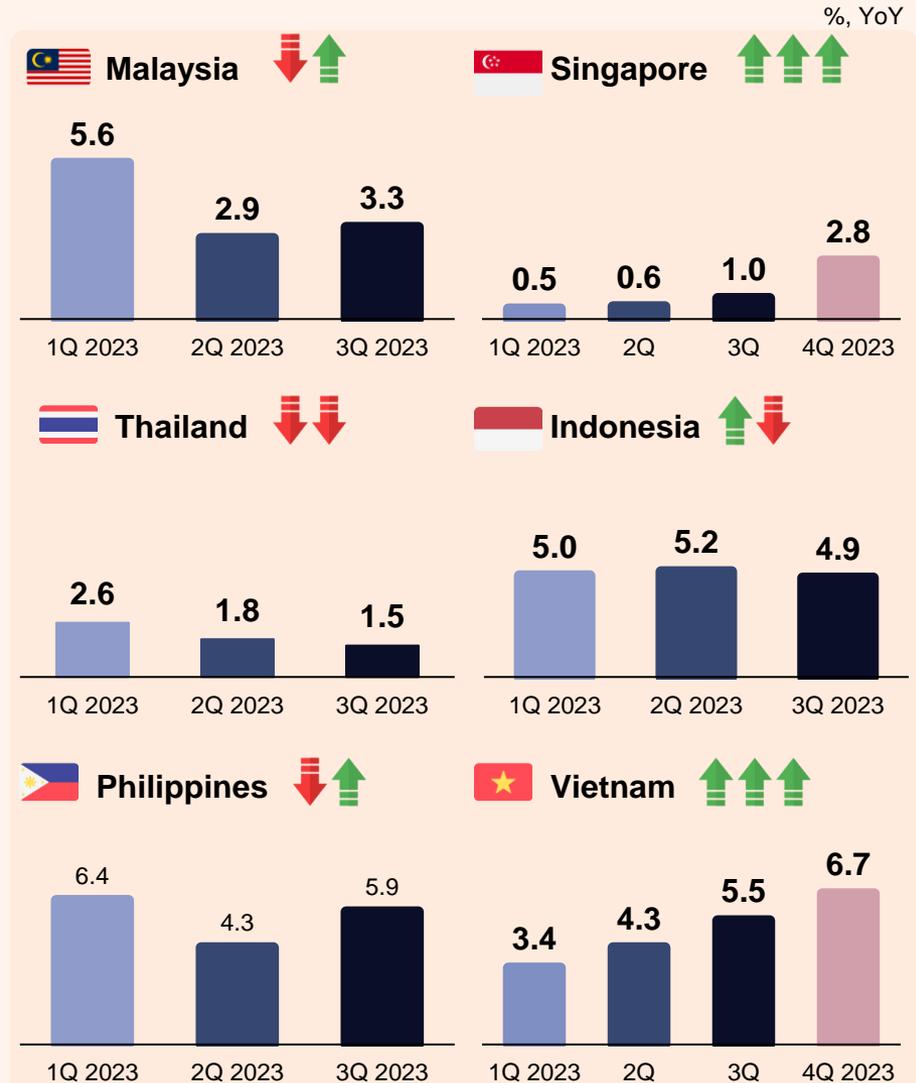


# GDP growth heatmap for advanced and emerging economies

## Key economic powerhouse



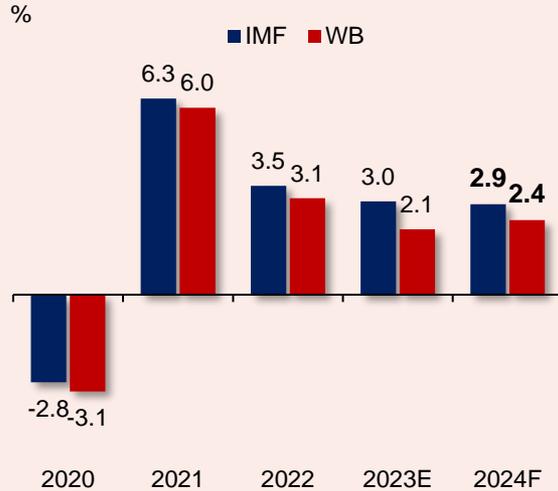
## Regional economies



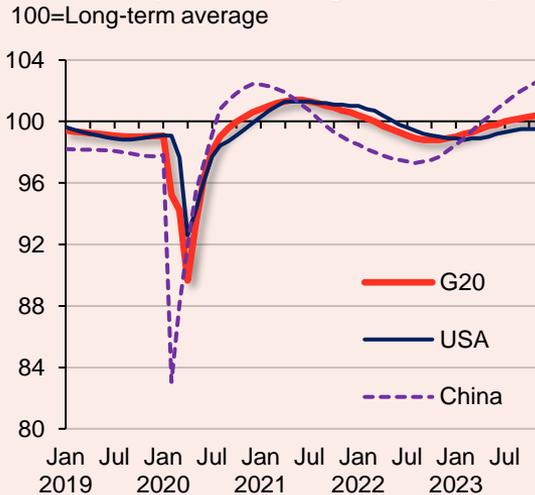
Source: Various officials (unadjusted data except for Euro Area)

# Still slow and uneven global growth in 2024

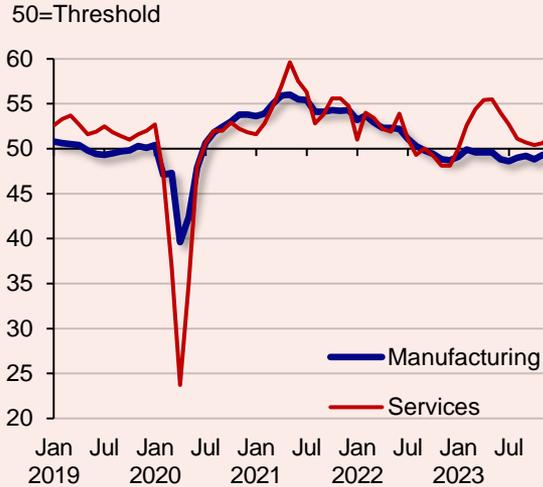
**Global growth estimates**



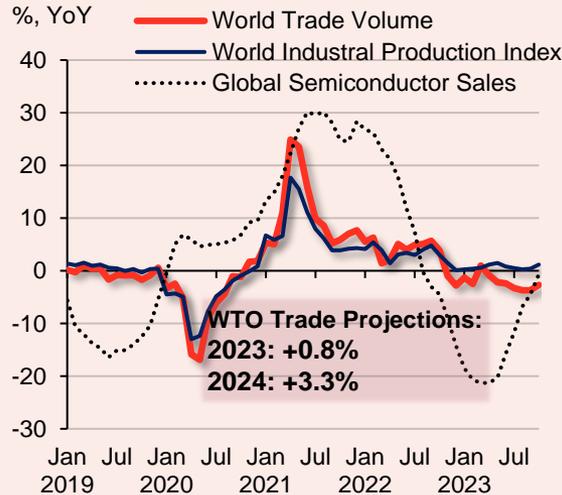
**OECD Composite Leading Indicators (CLI)**



**Global PMI for manufacturing & services**



**Key economic activities**



- Throughout 2023, global manufacturing PMI has consistently remained below the 50-pt expansion threshold, while services PMI hovered marginally above it, signalling persistent challenges in these sectors.
- World trade volume has exhibited contractions from Nov 2022 onwards, mirroring the trends observed in the manufacturing PMI.
- Nevertheless, there are positive indications:
  - 1 OECD composite leading indicators have shown an upwards trajectory; and
  - 2 Prolonged global semiconductor downturn has bottomed out.

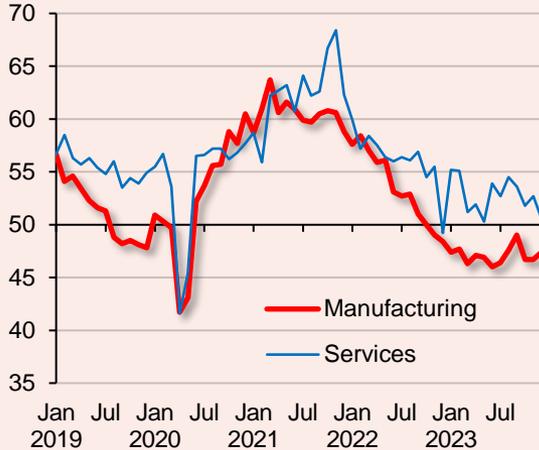
Source: International Monetary Fund (IMF); World Bank (WB); S&P Global; Organisation for Economic Co-operation and Development (OECD); CPB Netherlands

# Mixed performance in key economic powerhouses

## United States

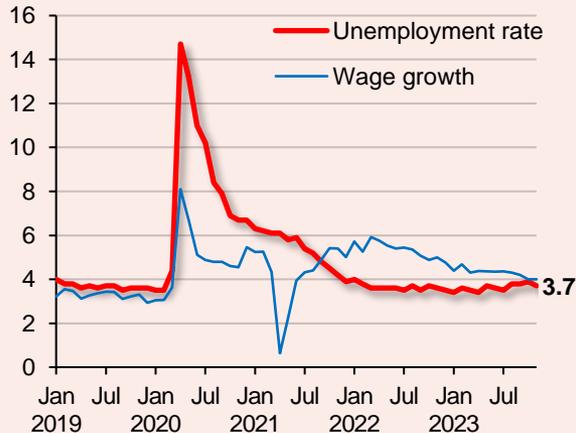
### Manufacturing and services PMI

50=Threshold



### Unemployment rate and wage growth

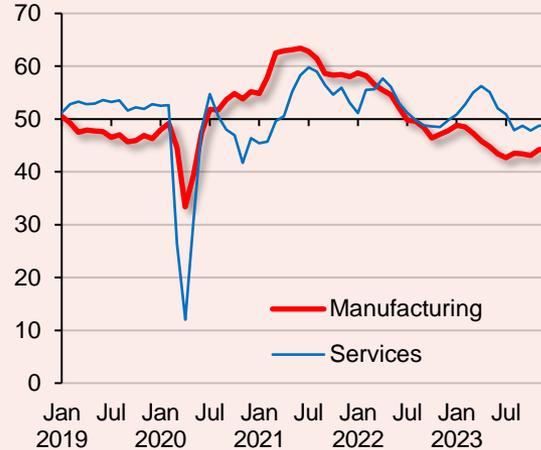
% / %, YoY



## Euro Area

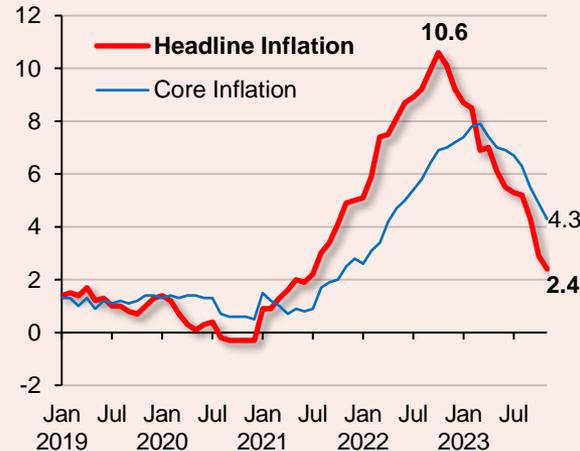
### Manufacturing and services PMI

50=Threshold



### Headline & core inflation

%, YoY



## The United States

### Diminishing catalysts

### favourable

- Household savings could run out by 1Q; reinstatement of student loans repayment; receding fiscal stimulus as major spending programs (the CHIPS and Science Act and the Infrastructure Investment and Jobs Act) have heavily front-loaded.

## Euro Area

### High recessionary risk

- Experienced a significant slowdown amid higher risks of recession.
- Attributed to deteriorating external demand and elevated interest rates.

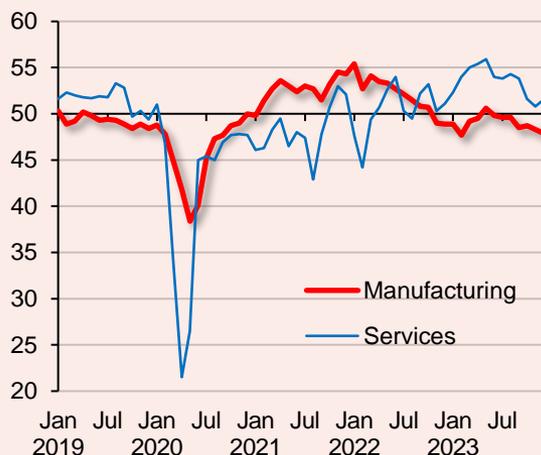
Source: Institute for Supply Management (ISM); US Bureau of Labour Statistics; S&P Global; Eurostat

# Mixed performance in key economic powerhouses (cont.)

## Japan

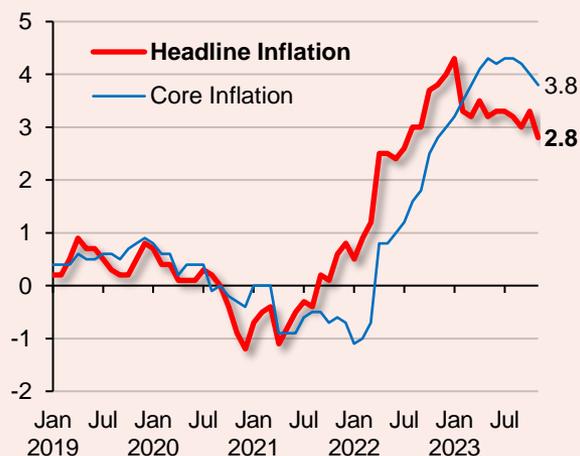
### Manufacturing and services PMI

50=Threshold



### Headline & core inflation

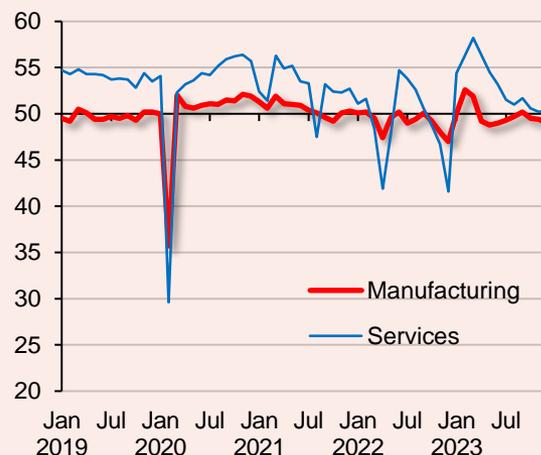
%, YoY



## China

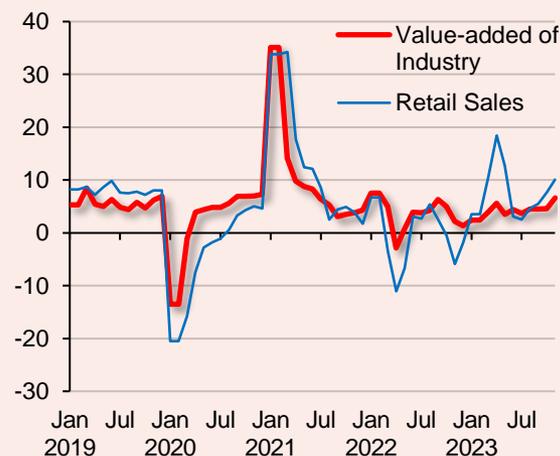
### Manufacturing and services PMI

50=Threshold



### Industrial and retail activities

%, YoY



## Japan

### Grappling with inflationary pressure

- High inflation affected private consumption and corporate investment.
- Possibility of an end to negative interest rates.

## China

### Lingering risks in real estate sector

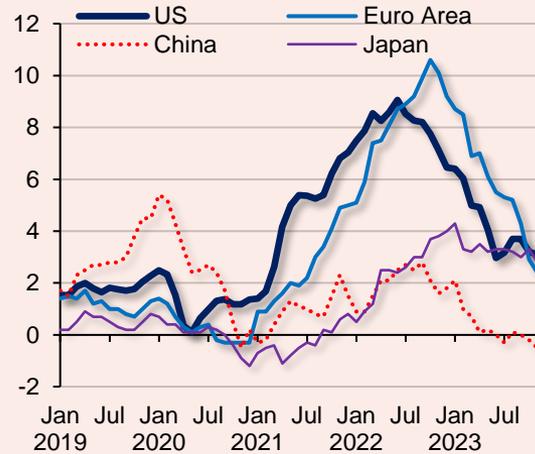
- Despite aided by lower base effect in 2022, China's economic recovery remained weak in 2023.
- Long-standing risks persisted from unresolved issues in the real estate sector.

Source: S&P Global; Statistics Bureau of Japan; National Bureau of Statistics of China

# Global inflation has slowed but risks could reignite price pressures

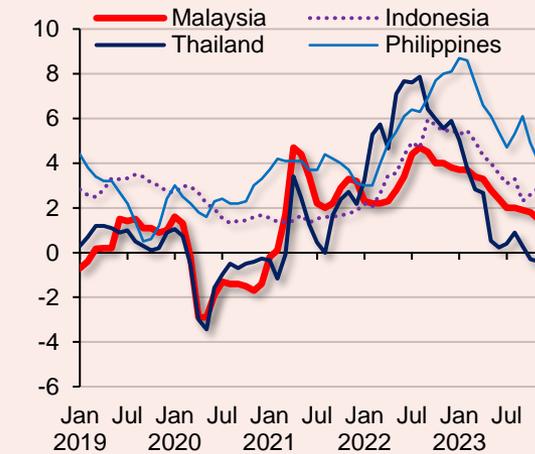
**Inflation – Advanced economies**

%, YoY



**Inflation – Selected ASEAN economies**

%, YoY

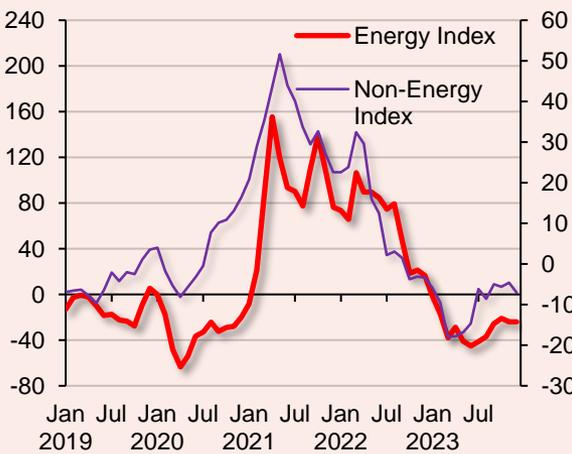


**Energy index**

%, YoY

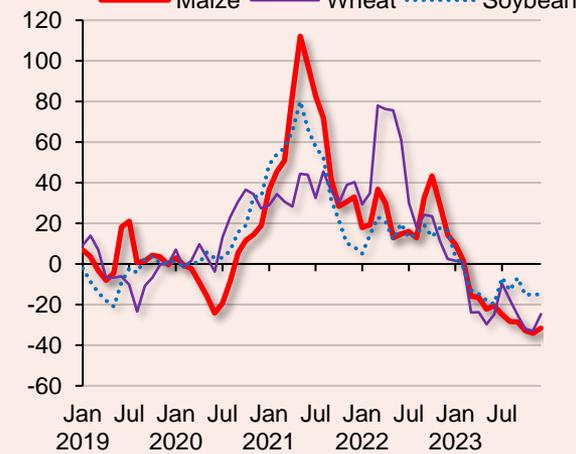
**Non-energy index**

%, YoY



**Selected global food prices**

%, YoY

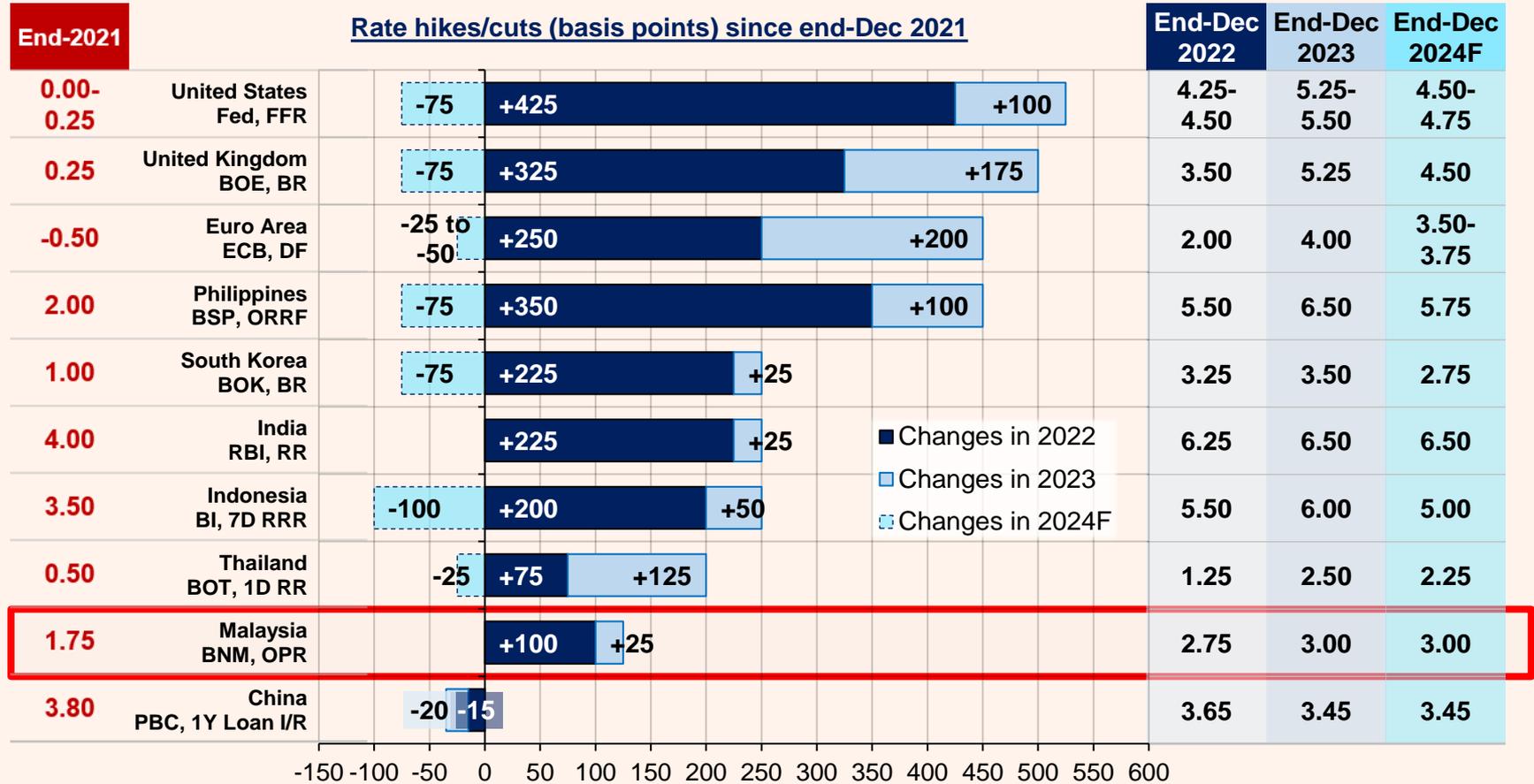


- While the fundamental drivers of inflation has tamed price pressures, it is still higher than the central banks' target level.
- China has experienced deflation in recent months.
- Caution risk on inflation outlook:
  - 1 **Geopolitical tensions.** The on-going conflicts in Ukraine, and recent outbreaks of war in Israel-Palestine, if escalates into a wider region could significantly impact the global economy and commodities market.
  - 2 **The slowdown in core inflation was smaller.** Sustained price pressures in services driven by strong demand limited the decrease in core inflation.

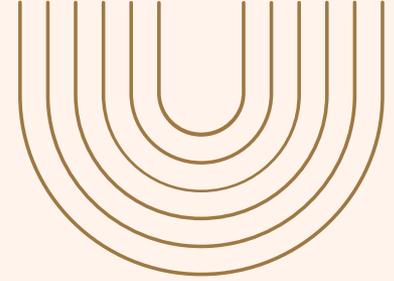
Source: World Bank; Various officials for inflation data

# Interest rates to stay high for a longer while

Policy rate (%)



Source: Various officials



# Malaysia Economic Outlook

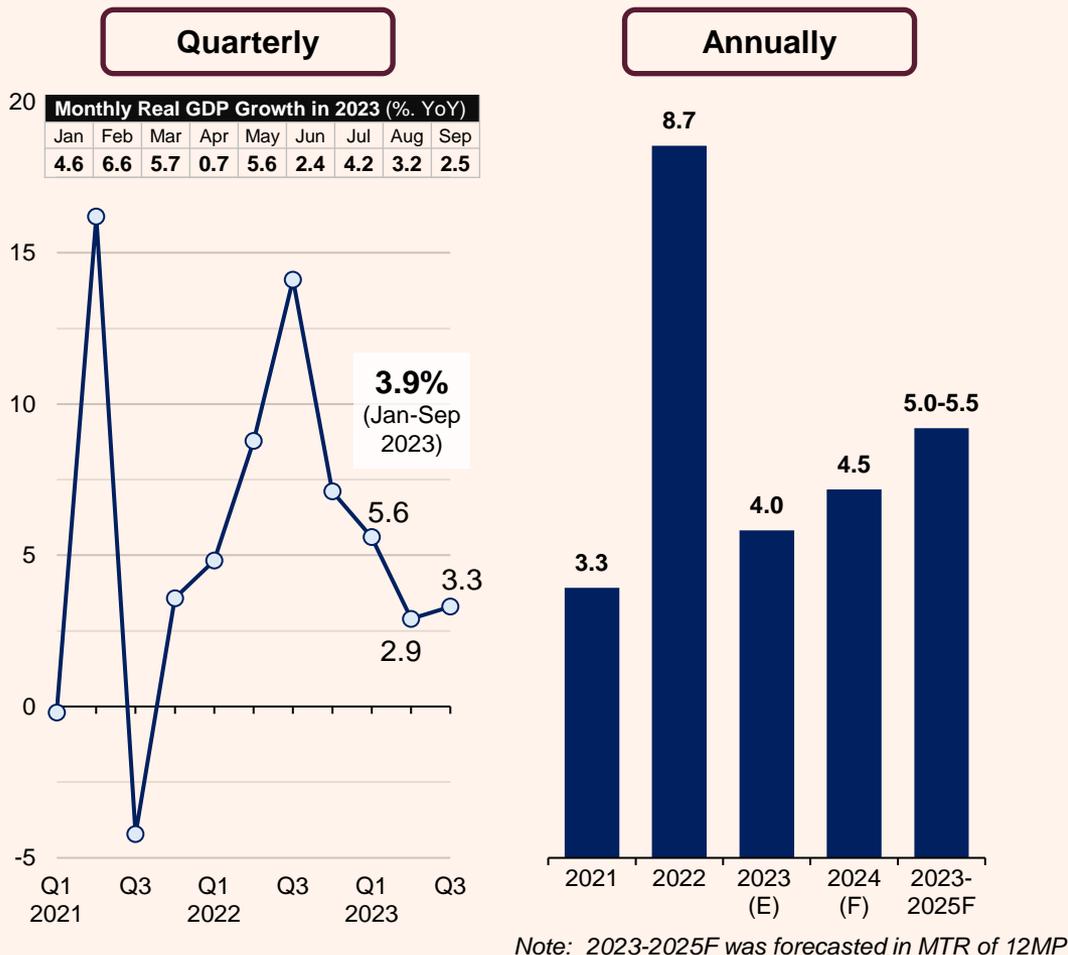
## Still Growing Amid Cross-Current Headwinds and Tailwinds

- *Resilient economic growth due to a recovery in exports and continued growth in domestic demand – estimated 4.5% in 2024 vs. 4.0% in 2023*
- *Positive factors underpinning exports: A gradual improvement in global demand, a recovery in the tech downturn cycle, and increasing demand of chips for electric vehicles (EVs), artificial intelligence (AI) and the fifth-generation (5G)*
- *The 2024 Budget is expected to provide fiscal support to the economy through high development expenditure allocation*
- *Key drivers of the economy: The services sector, manufacturing and construction sectors. Private consumption continues, albeit moderately. Improved prospect for private investment*



# The Malaysian economy on course, but downside risks remain

## Malaysia's real GDP growth (% YoY)



## Drivers of economic growth in 2024

### Positive expansion in all sectors

- Broad-based growth, led by the services sector as intermediate and final services groups, are anticipated to rise further, driven by domestic consumption and improved export activities.
- Recovery in the manufacturing sector, thanks to a gradual recovery in exports of electronics and electrical products.
- Improved growth in the agriculture sector and a turnaround in the mining sector.
- All subsectors of the construction sector will expand.

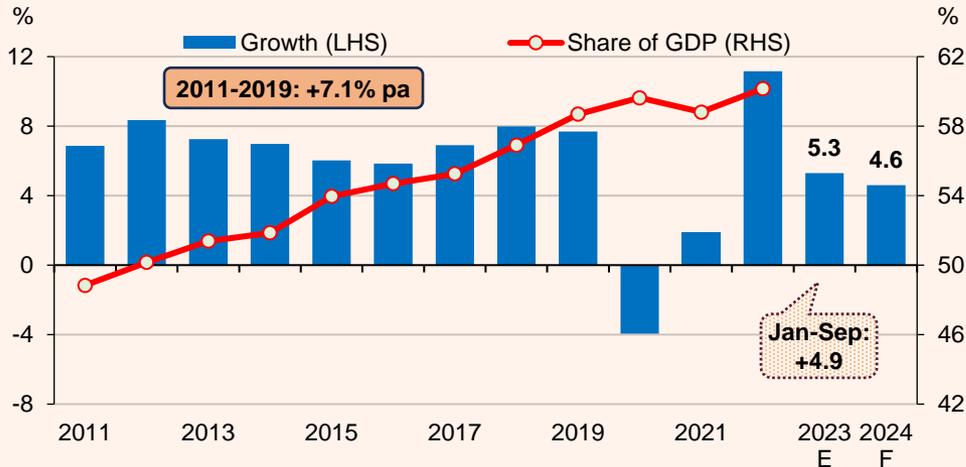
### Can domestic demand continue to hold?

- Private sector expenditure and improving global demand.
- Implementing various business policies and blueprints are expected to provide a conducive business and investment environment.
- Private consumption supported by steady labour market conditions amid subsidy rationalisation and cost of living pressures.

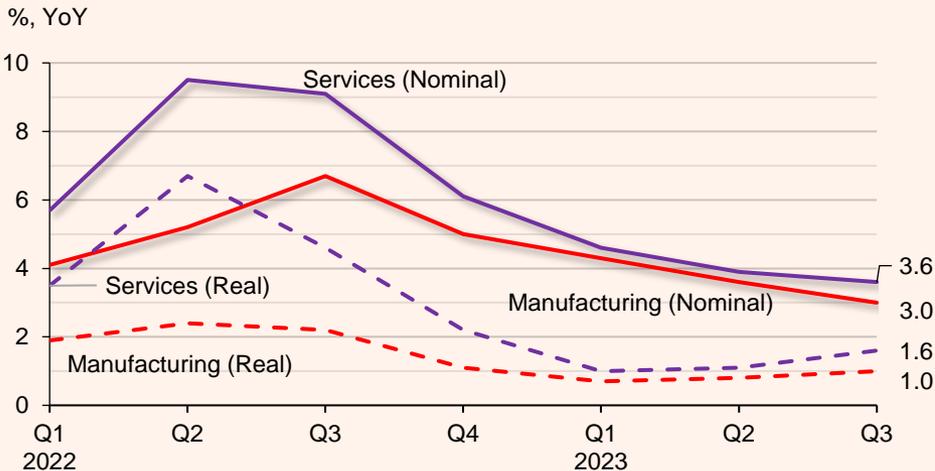
Source: Department of Statistics Malaysia (DOSM); Ministry of Finance (MOF)

# Consumers more cautious with discretionary spending

## Private consumption (61.2% of GDP in 2023E)



## Real wage growth



Source: DOSM; MOF

## Supporting factors

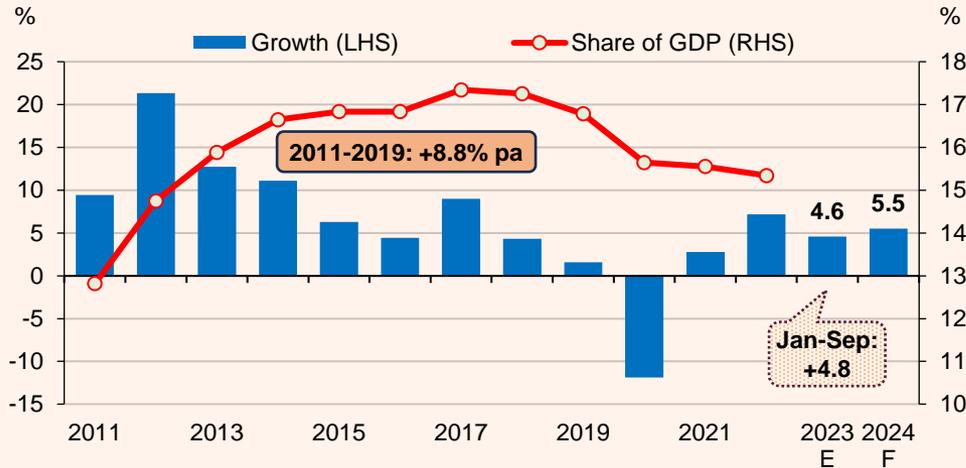
- Stable labour market conditions (Jobless rate: 3.3% at end-2024).
- Improved income growth.
- Sumbangan Tunai Rahmah (RM10.0 billion for almost 9 million recipients).
- Special cash incentives of RM2,000 for 1.7 million civil servants and RM1,000 for 971,000 pensioners.

## Dampening factors

- Increasing cost of living and inflation risk.
- Service tax scope expanded (includes logistic, brokerage, underwriting and karaoke services) with rate increase to 8% from 6% (excluding food and beverages, telecommunication services, parking and logistic services).
- 10% tax for online shopping on Low Value Goods (LVG) < RM500 from overseas.
- Targeted subsidy rationalisation in phases, e.g. diesel.
- High-Value Goods tax of 5% to 10%, starting 1 May 2024.

# Navigating private investment with increasing costs pressure

## Private investment (15.4% of GDP in 2023E)



## Outstanding loans to the business sector\*



Source: DOSM; MOF

## Supporting factors

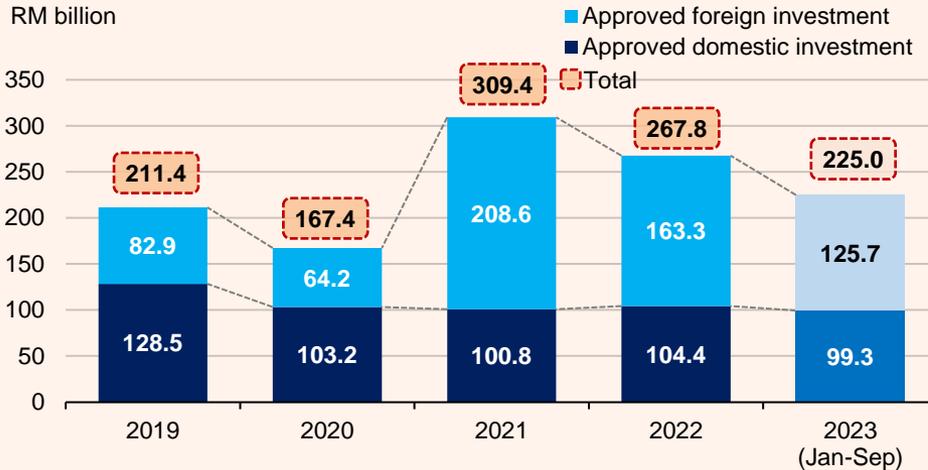
- Improved business sentiments on clearer economic policies direction.
- Realisation of approved investments, mainly in the electronics and electrical products, transport equipment, and information and communications subsectors.
- New Industrial Master Plan (NIMP) 2030, National Energy Transition Roadmap (NETR) and the Mid-Term Review of the 12th Malaysia Plan (2021-2025).

## Dampening factors

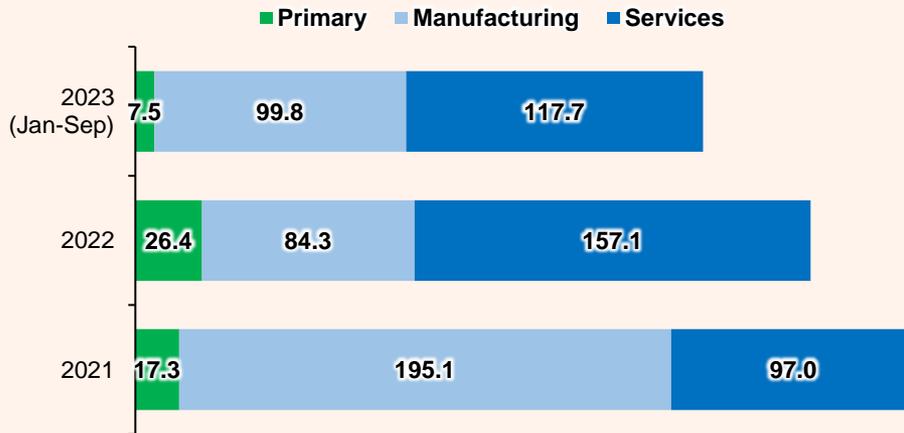
- Continued weak global economic growth.
- Concerns about business costs pressure; ESG compliance and climate change-induced disruptions.
- Targeted subsidy rationalisation in phases, e.g. diesel, petrol, cooking oil etc.
- Weak Ringgit caused higher imported value of machinery and equipment.

# Catalysts to private investment

## MIDA's approved DDI and FDI



## MIDA's approved Investment by major sector



Source: Malaysian Investment Development Authority (MIDA)

## Some notable approved investment projects



**US\$8 billion** for up to 10GW of renewable energy projects



**RM2 billion** in the next 7 years on state-of-the-art facility



Setting up a vast network of fast-charging and regular-charging stations; establish its state-of-the-art head office and service center; and experience centers



Amazon Web Services (AWS) **RM25.5 billion (USD6 billion)** by 2037 to open a Cloud Computing Infrastructure



**US\$7 billion** expansion for its chip assembly and testing factory.



To build the world's largest 200mm SiC (silicon carbide) Power Fab and invest additionally up to **€5 billion** over the next 5 years



Potential investment of up to **RM9.6 billion** to expand manufacturing operations



Partnering with xFusion partner to invest **RM1.7 billion** to open new facility



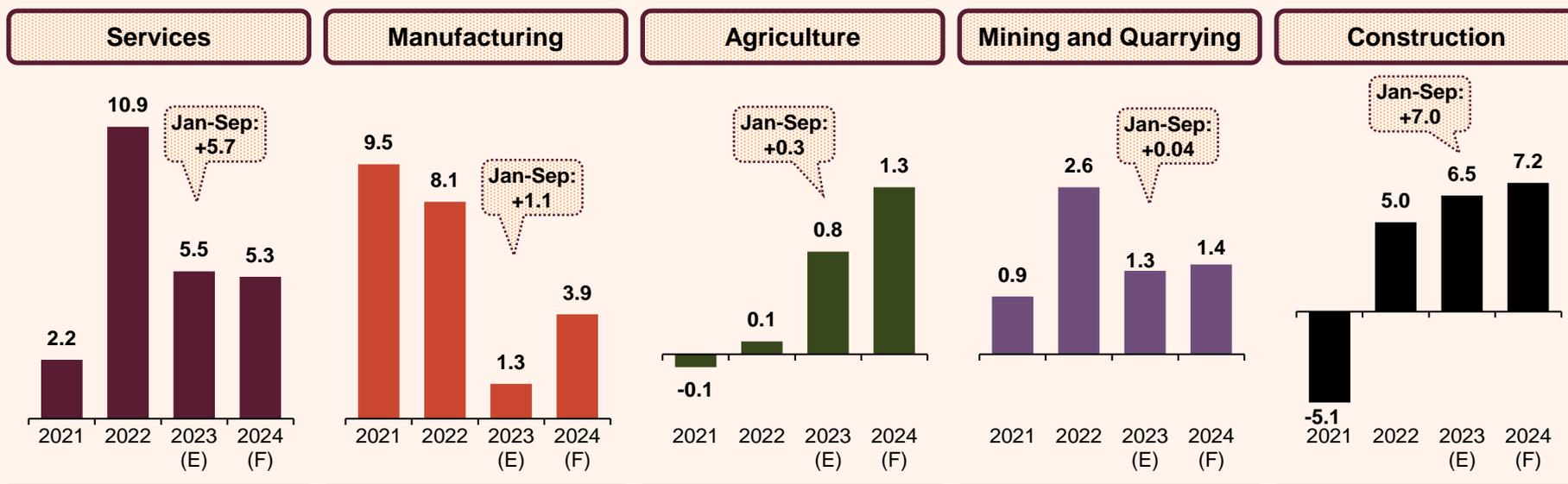
Invest **RM1.62 billion** to open semiconductor backend

**Elna PCB Deepens Root In Penang With RM1 Billion Expansion Plan**

[www.exclusivemalaysia.com](http://www.exclusivemalaysia.com)

# All economic sectors to register positive growth in 2024

## Real GDP growth by sector (%)



- Domestic consumption supports retailing, restaurants, accommodation and communication segments
- Higher trade-related activities help the wholesale trade, transport and storage subsectors

- Recovering external demand helps export-oriented industries, particularly E&E products
- Favourable domestic-oriented industries, backed by higher output in transport equipment and construction related segments, in line with continued growth in consumption and investment

- Higher production of crude palm oil (CPO), other agriculture and livestock
- CPO production supported by minimal impact expected from the El Niño, better labour supply, increased matured areas and higher oil extraction rate

**CPO price:**  
**RM4,000/tonne in 2024**  
 (RM3,810/tonne in 2023)

- Recovery in production of natural gas from new and existing gas fields, and crude oil and condensates
- Anticipation of higher demand on positive global outlook

**Brent crude oil price:**  
**US\$85/barrel in 2024**  
 (US\$83/barrel in 2023)

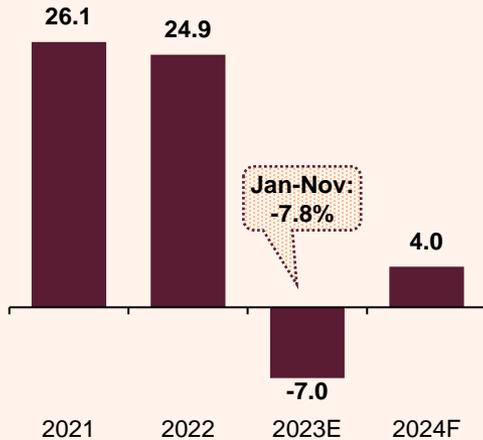
- Expansion across all sub-sectors
- Strategic infrastructure and utilities projects

Source: DOSM; MOF

# Exports recovery; inflationary risk; solid job market



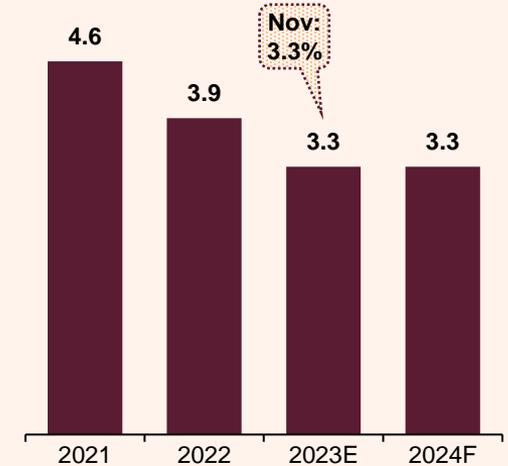
Gross Export Growth (%)



Inflation (%)



Unemployment Rate (%)



- Anticipate better performance in global trade and improved prospects in the commodity sector
- The trade expansion effects from RCEP and CPTPP
- Steady demand for semiconductor and upcycle trend in E&E
- Higher demand for petroleum products, chemicals and chemical products, manufactures of metal, palm oil and mining goods

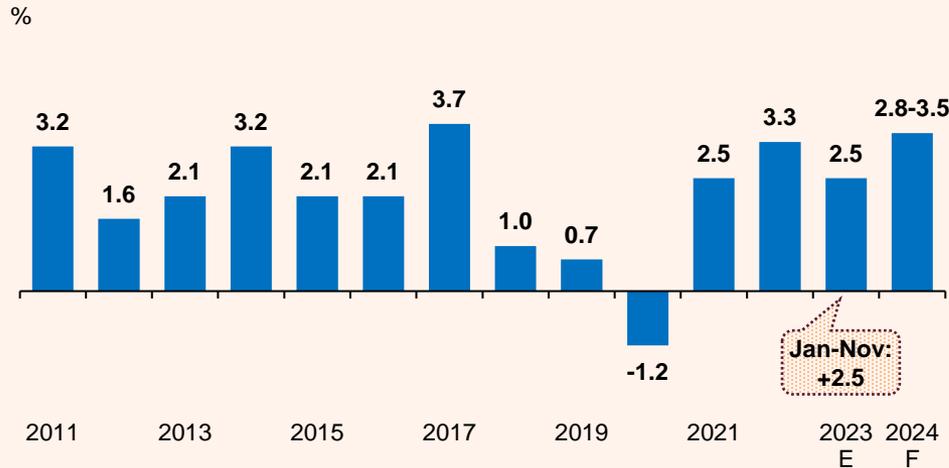
- Gradual shift towards targeted subsidy mechanism
- Risks come from fluctuation in exchange rates and supply-related factors, such as global commodity prices, geopolitical uncertainties and climatic conditions

- Stable domestic and external economy
- More demand-driven skill training programmes
- More conducive working environment for women
- Expanding social protection coverage to all workers

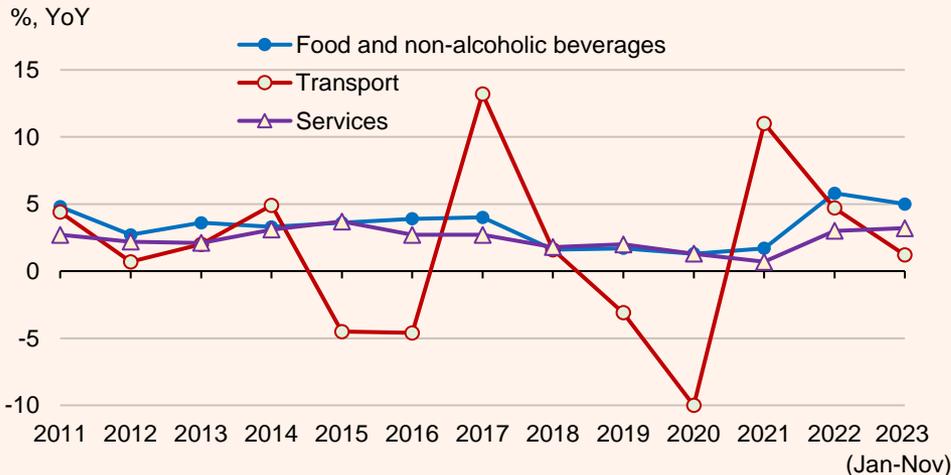
Source: DOSM; MOF

# Inflation may re-emerge on review of price controls and subsidies

## Headline inflation



## Inflation for selected categories



Source: DOSM; MOF; SERC

## Inflation is cooling, but prices are high

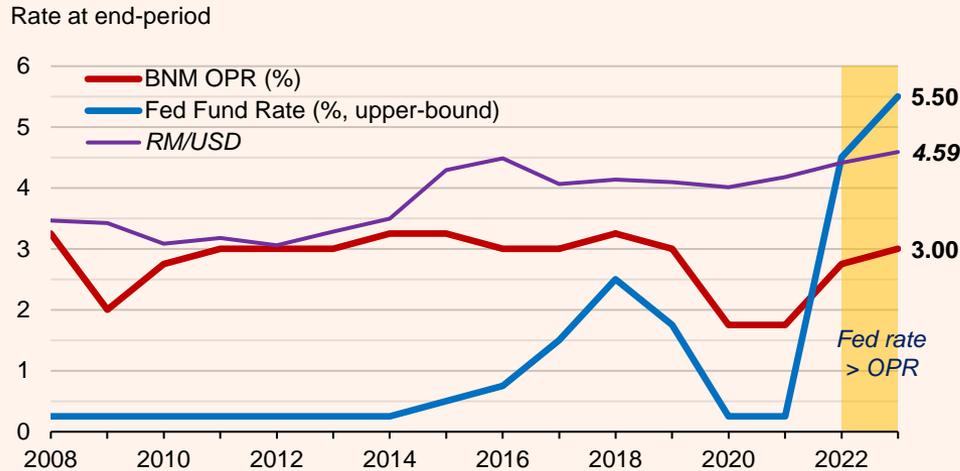
- Both headline and core inflation have moderated, mainly due to easing cost pressures.
- Inflation is expected to rise higher to 2.8%-3.5% in 2024 (2.5% in 2023).
- The Government's intention to review price controls and subsidies in 2024 will affect the outlook for inflation and demand conditions.

## Dampening factors

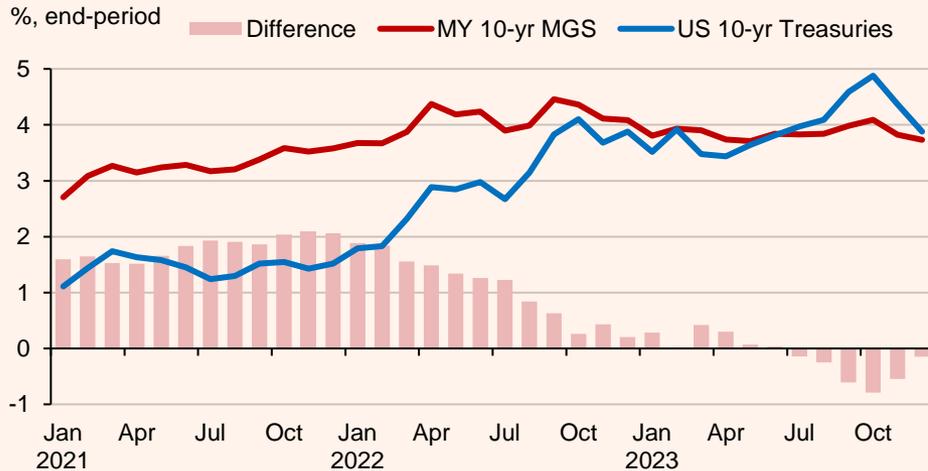
- Gradual shift towards targeted subsidy mechanism.
- Risks come from fluctuation in exchange rates and supply-related factors, such as global commodity prices, geopolitical uncertainties and climatic conditions.

# BNM's OPR to hold steady at 3.00% in 1H 2024; the Ringgit is undervalued

## BNM OPR vs. Fed Funds Rate vs. RM/USD



## Yields: MY 10-year MGS vs. US 10-year Treasuries



Source: Fed; BNM; US Treasury Department

## OPR set to stay put at 3.00%

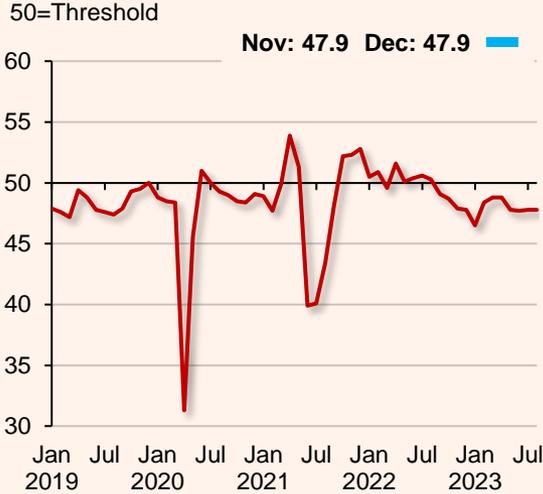
- Growth supporting remains the policy priority.
- Subsidy rationalisation-induced inflation will restrain demand.
- MY-US interest rate differentials would cap the Ringgit's appreciation against the US dollar.
- BOJ's abandon of negative interest rate policy could induce financial volatility.
- RM/USD scenarios:
  - Scenario 1:
    - No cut in the Fed funds rate (1H 2024): RM4.55-RM4.60
  - Scenario 2:
    - Cut in the Fed funds rate (2H 2024): RM4.40

# Tracking Malaysia's economic indicators

## Leading indicators



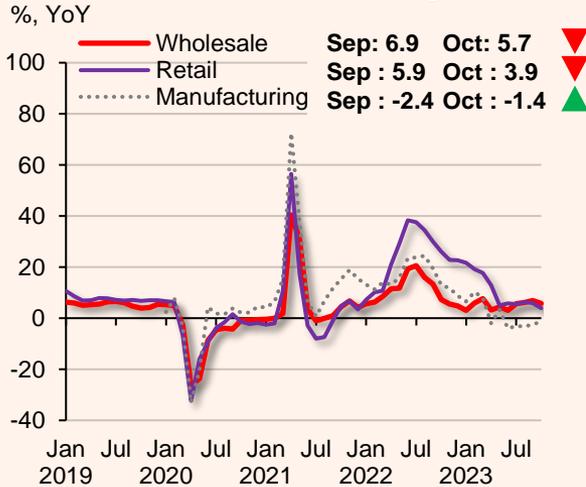
## Purchasing Managers' Index (PMI)



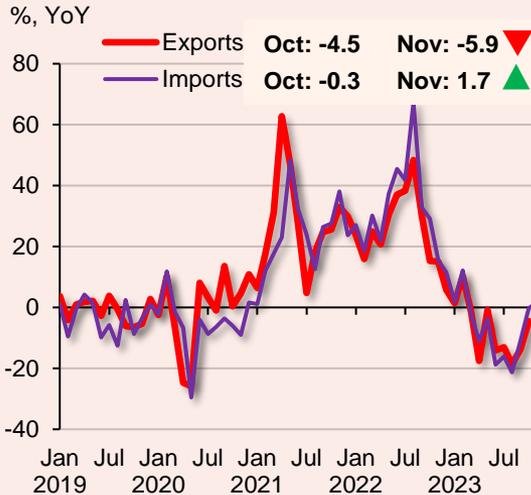
## Industrial production index (IPI)



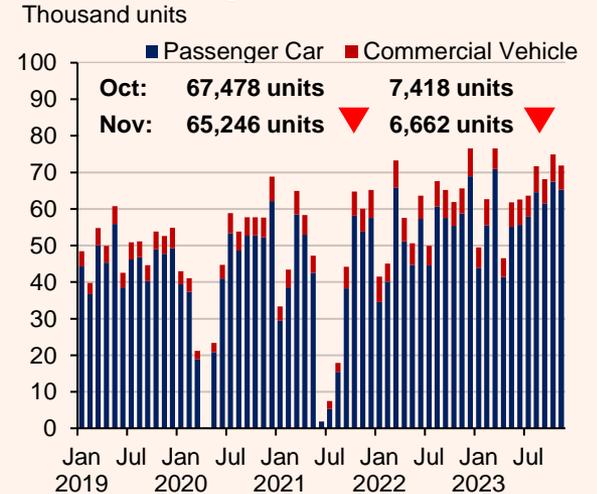
## Wholesale, retail & manufacturing sales



## External trade



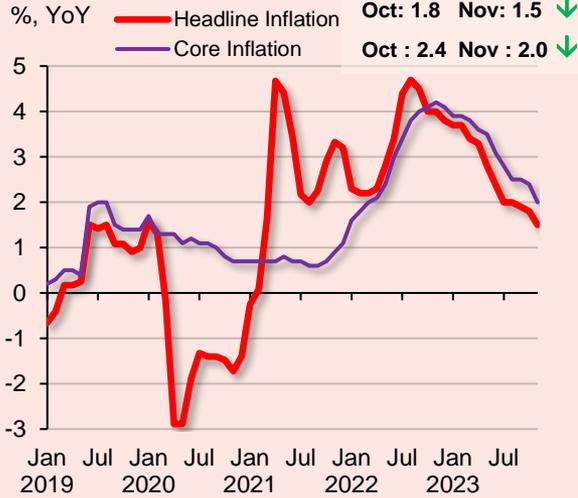
## Sales of passenger & commercial vehicles



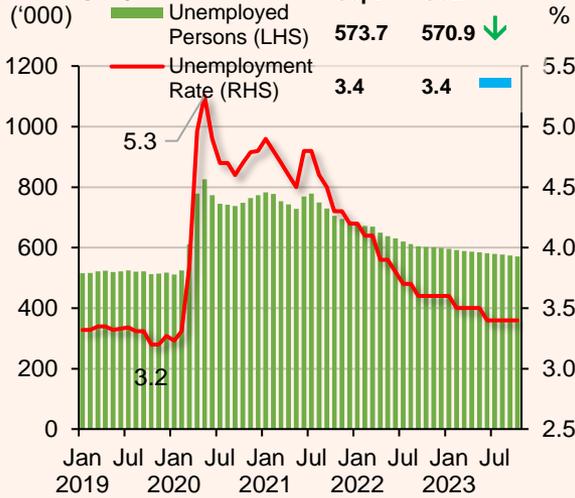
Source: S&P Global; DOSM; Malaysian Automotive Association (MAA)

# Tracking Malaysia's economic indicators (cont.)

## Inflation



## Unemployment



## Manufacturing wage (per employee) growth



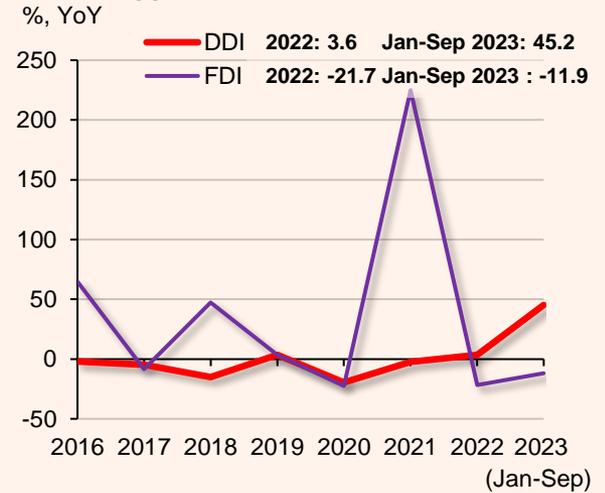
## Outstanding banking loan growth



## Money supply



## MIDA's approved investments



Source: DOSM; BNM; MIDA

# Selected economic indicators at a glance

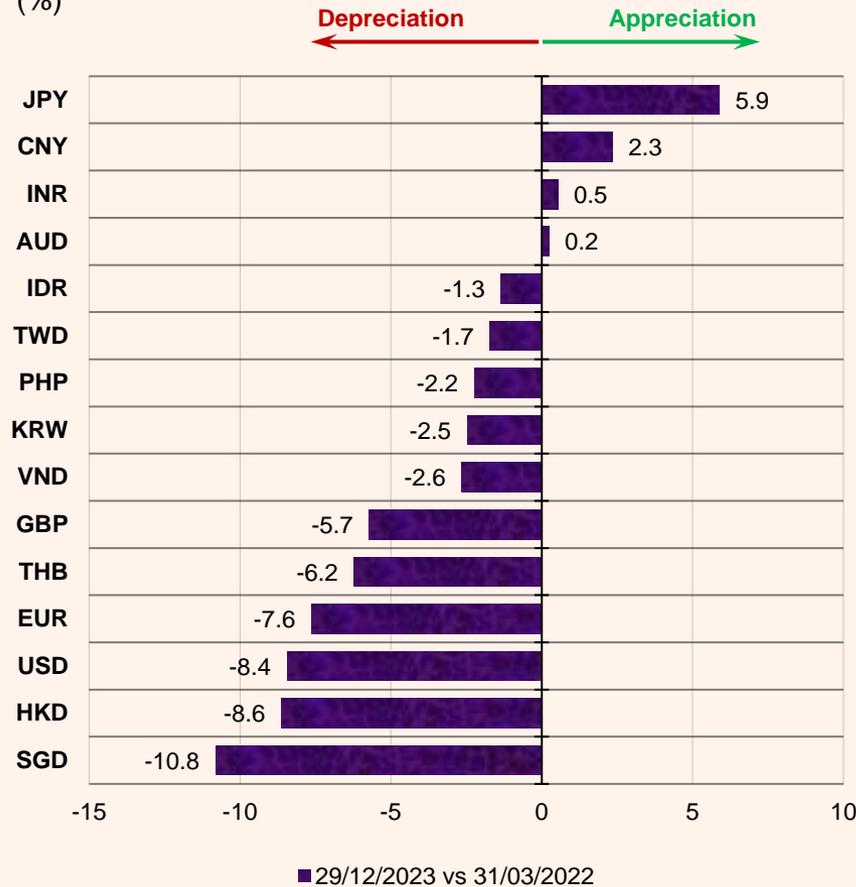
Indicators	Aug 2023	Sep 2023	Oct 2023	Nov 2023
 <b>Leading index</b> %, YoY	109.7 -0.5%	109.4 ↓ -0.2% ↑	109.2 ↓ -0.2% ↔	-
 <b>Purchasing Managers' Index</b>	47.8	46.8 ↓	46.8 ↔	47.9 ↑
 <b>Industrial production index</b> %, YoY	129.1 -0.3%	130.5 ↑ -0.5% ↓	133.3 ↑ +2.7% ↑	-
 <b>Distributive trade</b> %, YoY	RM142.5bn +6.7%	RM142.7bn ↑ +6.5% ↓	RM142.3bn ↓ +6.5% ↔	-
 <b>Exports</b> %, YoY	RM115.0bn -18.8%	RM124.3bn ↑ -13.8% ↑	RM126.1bn ↑ -4.5% ↑	RM122.1bn ↓ -5.9% ↓
 <b>Headline Inflation</b> Core Inflation	+2.0% +2.5%	+1.9% ↓ +2.5% ↔	+1.8% ↓ +2.4% ↓	+1.5% ↓ +2.0% ↓
 <b>Unemployed persons</b> Unemployment rate	577,300 3.4%	573,700 3.4% ↔	570,900 3.4% ↔	-
 <b>Outstanding banking loan</b> %, YoY	RM2,070bn +4.2%	RM2,087bn ↑ +4.4% ↑	RM2,093bn ↑ +4.0% ↓	RM2,109bn ↑ +4.9% ↑
 <b>Foreign reserve</b>	US\$112.5bn	US\$110.1bn ↓	US\$108.5bn ↓	US\$112.3bn ↑

Source: DOSM; BNM

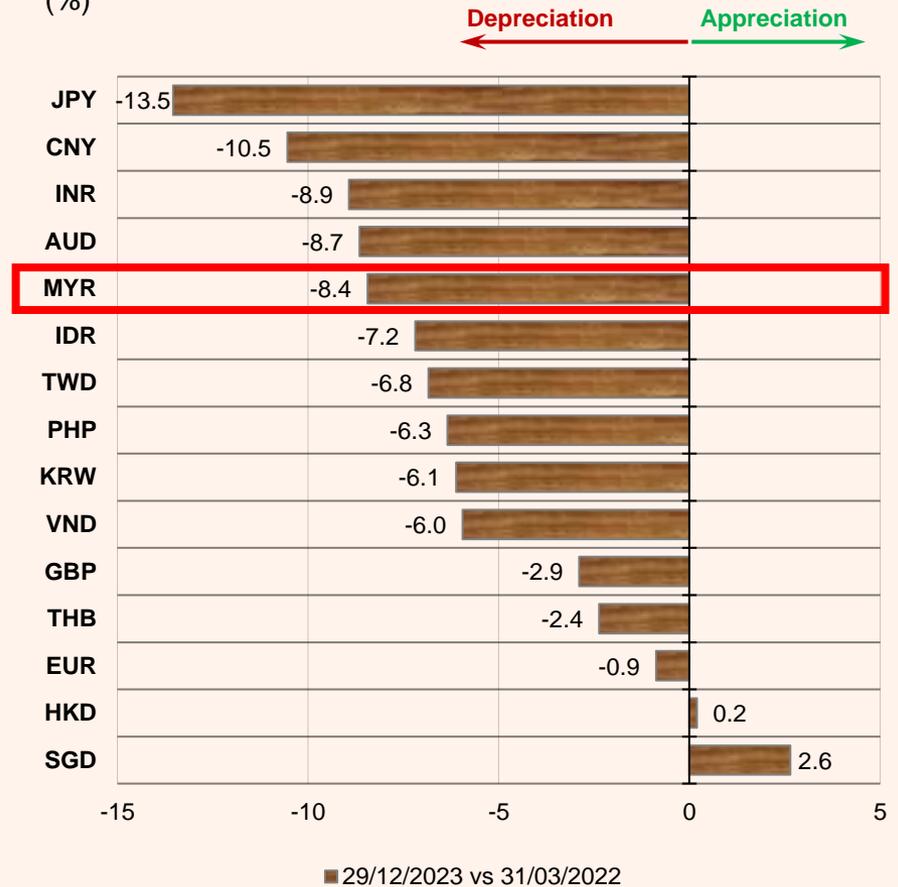
Note: Arrow indicates the performance compared to previous month.

# The ringgit's performance since the Fed's rate hike cycle starting in March 2022

The Ringgit against major and regional currencies (%)

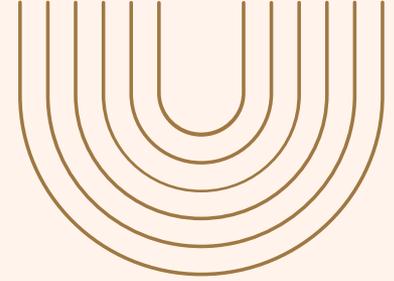


Major and regional currencies against the USD (%)



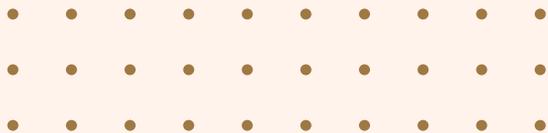
Note: For currency other than Ringgit against USD, cross rate applied.

Source: Bank Negara Malaysia (BNM)



# **Johor-Singapore Special Economic Zone (JS-SEZ)**

## **Cross-Border Collaboration for Complementary Economic Synergies**



# Johor-Singapore Special Economic Zone (JS-SEZ)

- On 30 October 2023, both Prime Ministers of Malaysia and Singapore have announced the establishment of a special taskforce under the Joint Ministerial Committee for Iskandar Malaysia (JMCIM) to conduct a study on Johor-Singapore Special Economic Zone (JS-SEZ).
- The JS-SEZ is aimed at attracting domestic and foreign investments; enhancing the cross-border flow of goods and people; and strengthening the business ecosystem in both countries. Ultimately, the zone will elevate the economic attractiveness of Singapore and Johor.
- Malaysia and Singapore are natural partners enjoying a close and deep-rooted relationship, underpinned by their proximity, economic, historical, and familial ties.
- In 2022, Malaysia and Singapore was each other's second largest trading partner. Both nations are important investors in each other's economies, with Singapore maintaining its status as the second largest foreign investor in Iskandar Malaysia from 2006 to September 2022.
- The proposed establishment of the JS-SEZ has drawn mixed reactions amid the lack of information. A feasibility study will be carried out by the JMCIM to identify the zone's focus, especially on investor interest, businesses and market demand.
- Both Governments has signed a Memorandum of Understanding (MOU) on the establishment of JS-SEZ on 11 January 2024, cementing both countries' steadfast commitment in strengthening their enduring relations to deepen bilateral economic ties and forge regional economic collaboration.
- We expect the JS-SEZ to bolster the trade and investment, people-to-people connectivity, and foster a strong, sustainable and mutually beneficial partnership between Malaysia and Singapore. With its strategic location in ASEAN, JS-SEZ is well positioned to connect both countries' investors and businesses as well as foreign investors to new opportunities from the increasing border trade and rapid economic growth in the region.

# Malaysia, Johor and Singapore – Key economic indicators

Year 2022	Malaysia	Johor	Singapore
<b>Nominal GDP market value</b>	RM1.8 trn (US\$407.1 bn)	RM165.2 bn (US\$37.5 bn) <i>(9.2% of Malaysia)</i>	S\$643.5 bn (US\$466.7 bn)
<b>GDP per capita</b>	RM54,863 (US\$12,467)	RM41,058 (US\$9,330)	S\$114,165 (US\$82,794)
<b>Population</b>	32.7 million	4.0 million <i>(12.3% of Malaysia)</i>	5.6 million
<b>Labour force</b>	16.0 million	1.9 million <i>(11.7% of total)</i>	3.8 million
<b>Employed persons by skill category<sup>2</sup></b>	Skilled: 29.6% Semi-skilled: 58.4% Low-skilled: 12.0%	Skilled: 26.8% Semi-skilled: 61.9% Low-skilled: 11.3%	Skilled: 29.6% Semi-skilled: 58.4% Low-skilled: 12.0%
<b>Exports of goods</b>	RM1.6 trn (US\$352.6 bn)	RM325.5 bn (US\$74.0 bn) <i>(21.0% of Malaysia)</i>	S\$710.0 bn (US\$514.9 bn)
<b>Attracted Investment</b>	RM264.6 bn (US\$60.1 bn) <i>(Approved)</i>  Of which: Primary: 10.0% Manufacturing: 31.9% Services: 58.2%	RM70.6 bn (US\$16.0 bn) <i>(Approved)</i> <i>(26.7% of Malaysia)</i>  Of which: Manufacturing: 20.7% Others: 79.3%	S\$22.5 bn (US\$16.3 bn) <i>(Commitment in the manufacturing and services, fixed assets)</i>  Of which: Manufacturing: 77.3% Services: 22.7%

*Notes:*

1. Conversion based on exchange rate of RM4.4005/USD1 and SGD1.3789/USD1.

2. Employed persons for Singapore only for residents, skill category follows Malaysia's definition.

Source: DOSM; MIDA; SingStat

# Malaysia, Johor and Singapore – Cost of doing business

	Malaysia	Johor	Singapore		
<b>Corporate income tax rate</b> Year 2024	24% (Preferential tax rate for eligible SMEs at 15%-17% for first RM600,000 of chargeable income)		17%		
<b>Individual income tax rate</b> Year 2024	Up to 30%		Up to 24%		
<b>Median monthly wage</b> Year 2022	RM2,424 (US\$551)	RM2,220 (US\$504)	S\$5,070 (US\$3,677) (incl. employer CPF)		
<b>Non-domestic electricity tariffs</b> - Excluding capacity charge and other charges. Malaysia: sen/kWh Singapore: cent/kWh	<b>Commercial:</b> <ul style="list-style-type: none"> <li>Low voltage: 43.5 for first 200 kWh; 50.9 for the remaining</li> <li>Medium voltage: 36.5 (22.4 for off-peak)</li> </ul> <b>Industrial:</b> <ul style="list-style-type: none"> <li>Low voltage: 38.0 for first 200 kWh; 44.1 for the remaining</li> <li>Medium voltage: 33.7 (or 35.5 (peak) and 21.9 (off-peak))</li> <li>High voltage: 33.7 (peak) and 20.2 (off-peak)</li> </ul>		Example: SP Group (1 Oct 23) Low tension: 31.00		
			Peak=A; off-peak=B		A   B
			High tension small		25.13   15.15
			High tension large		24.91   15.14
Extra high tension		23.96   15.04			
<b>Prime office rental</b>	Johor Bahru (per sq.m / month) (Aug 2022): <ul style="list-style-type: none"> <li>Building Age &gt; 5 Years: RM25-RM38</li> <li>Building Age &lt; 5 Years: RM38-RM48</li> </ul>		S\$11.85 per sq.ft/month (Q3 2023)		
<b>Cost of industrial land / factory building</b>	Johor: <ul style="list-style-type: none"> <li>Industrial land selling price: RM25-RM90 per sq.ft</li> <li>Quit rent per annum by industry: RM1,600/ha (light); RM2,100/ha (medium); RM2,400/ha (heavy)</li> <li>Annual assessment rate: 0.33%-1.0% of property value</li> <li>Ready-built factory selling price: RM140-RM400 per sq.ft</li> <li>Ready-built factory rental: RM1.20-RM3.00 per sq.ft / month</li> </ul>		S\$1.81 per sq.ft / month		

Source: Malaysia: LHDN; DOSM; TNB; MIDA; Singapore: IRAS; Singstat; CBRE; SP Group

Note: Exchange rate of RM4.4005/USD1 and SGD1.3789/USD1 applied.

# JS-SEZ's strategic global positioning



## Heart of Asia

Strategically located in the heart of Asia giving access to a market of over 5.6 billion people



## Sizable Land

Johor's land area is 19,166 sq km, 26 times larger than Singapore



## Large Population

Home to 4 million people.



## Flight Time

Every financial capital in Asia is within 8-12 hours flight, including cities in China and India



## Government Support

Strong and sustainable government's support



## Professional Workforce

An abundance of professionals and skilled workforce



## Attractiveness

Home to big corporations and international brands



## Infrastructure

Good connectivity and infrastructure, including an international airport, railway, highways, and international seaports



## Eco-Development

Meticulously planned region with a balanced eco-development plan and conducive living environment

# Strategic framework and enablers

## 1 Effective Management

- Clear goals, vigorous benchmarking and competition
- Strong vision and commitment from political and management leadership
- Single management or administrative structure
- Strong, consistent and long-term Government ownership
- Lack of political interference
- Pragmatism, flexibility, autonomy and efficiency of local authorities and zone management

## 2 Legal, Regulatory and Institutional

- An appropriate legal, regulatory, and institutional framework for effective regulation (Policy clarity, consistency and certainty)
- Instil trust and confidence on the legal system and investors' protection
- Ensure consistent adherence to appropriate overarching framework
- Provide stakeholders with best practice guidelines and practical approaches to regulations

## 3 Business Environment and Taxation

- Streamlined doing business regulations – registration, licensing, trade logistics and customs clearance to reduce costs of doing business
- Efficient customs procedures
- Highly effective one stop agency staffed by competent high grade officers
- Value creation incentives attractive to FDI and DDI as well as diaspora
- Special low corporate tax rate, double deduction for transportation, electricity, and water utility cost, deduction for utility construction costs, import duty exemption for machinery, raw materials used for exports
- Green tax credit, carbon tax, waste production and disposal, use of natural resources

## 4 Technology and Innovation

- Emerging digital technologies trend to enhance process efficiency and competitiveness
- Generative AIs, IoT, Metaverse, Sustainable Tech, Robotic Process Automation
- IoT has found applications in numerous industries, including manufacturing, healthcare, agriculture, transportation, and smart cities
- Floating solar panel farm; solar panel floating in reservoir
- Green technologies – smart meters, carbon capture and storage
- 5 years 100% Reinvestment Allowance (RA)
- Promote innovation by providing tax credits, technological subsidies and attracting more enterprises

## 5 Infrastructure and Connectivity

- A clear infrastructure development plan
- Good, reliable and affordable transport, energy, water and telecoms services
- Convenience for efficient goods and people transport
- Renting land plots in SEZs to private companies for industrial parks or facilities development
- Build industrial value chains and integrate with local SMEs
- Seamless connectivity when the RTS becomes operation in 2026

## 7 Supporting Industries, especially SMEs

- Encourage strong linkages with domestic industries through product, marketing and development programs
- Facilitate entry and integrate primary, secondary and tertiary industries
- Design special packages covering finance, skilled support and ESG-compliance as well as technology diffusion for SMEs
- Skill development grant or subsidy to upskill and reskill STEM and TVET graduates to meet the industry needs

## 6 Talent and Human Capital

- Attracting investment and talent for Research and Development (R&D)
- Provide an environment that fosters innovation and creativity to attract and retain the talent
- Foster collaboration and partnerships between companies, universities and research institutions, thereby providing training and educational opportunities for workers
- Training and upskilling incentive program in identified sectors
- Liberalisation of foreign employment policy for specialised talent



# Identification of sectors and industries

For the JS-SEZ, we can make reference to the current distribution of industries in the industrial parks located in the Iskandar Development region. Broadly, the sectors and industries are:



**Manufacturing**



**Financial Services**



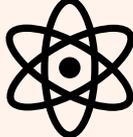
**Logistics**



**Education**



**Healthcare**



**Energy**



**Tourism**



**Digital and Data centre**



**Business Services**

# Identification of selected sectors/investors by location



# Iskandar Development – Nine promoted sectors

## MANUFACTURING



Electrical & Electronics



Petrochem. & Oleo-chem.



Food & Agro Processing

## SERVICES SECTORS



Logistics



Financial & Business Services



Creative



Tourism



Healthcare



Education

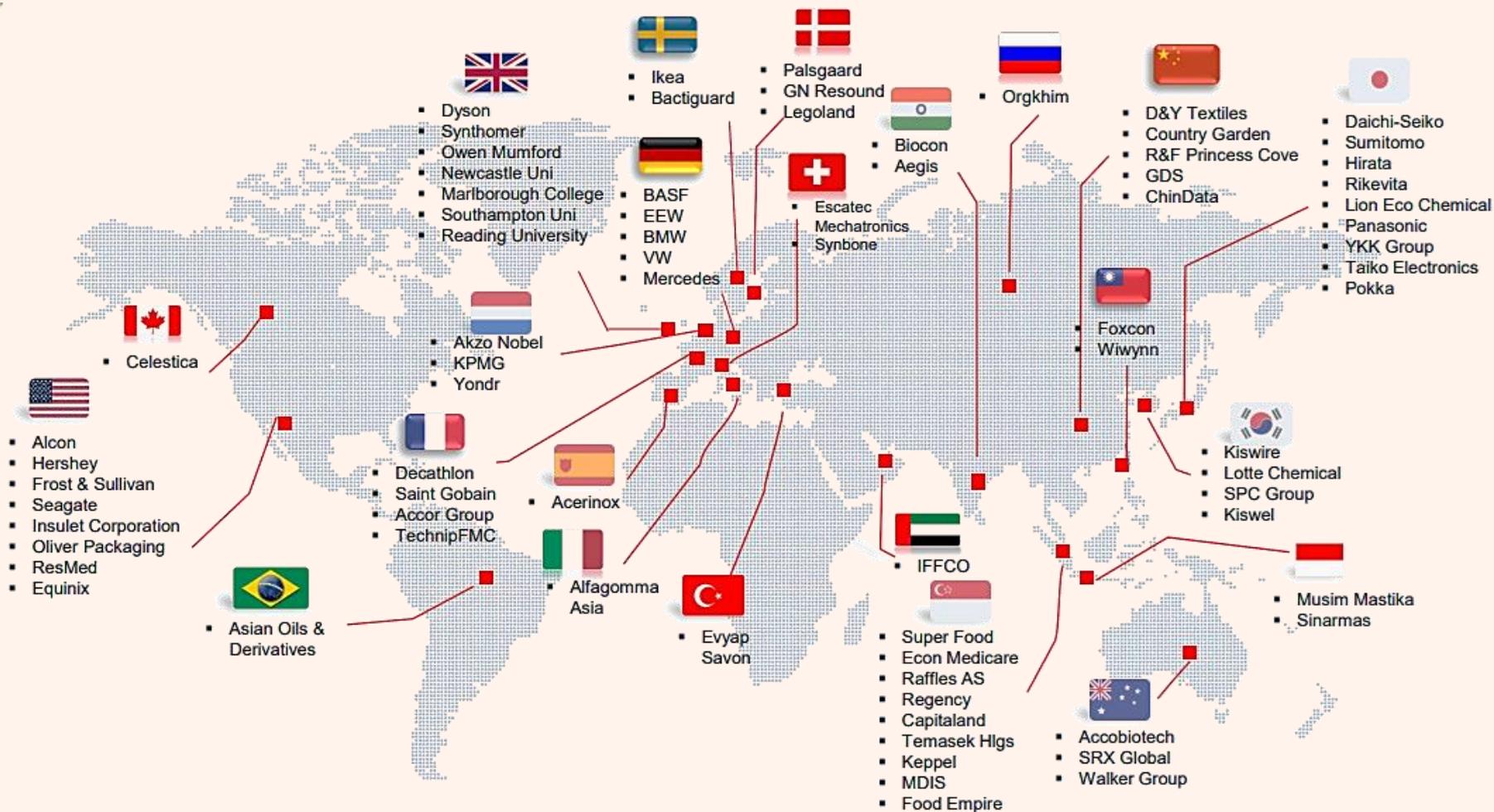
# Most industrial parks in Johor are located within Iskandar Malaysia region



- 1 Alam Jaya Industrial Park .....
- 2 Bandar Penawar Industrial Park .....
- 3 Batu Pahat Industrial Area .....
- 4 Cemertang Industrial Area, Johor Bahru .....
- 5 Desa Cemerlang Industrial Area .....
- 6 Eco Business Park I .....
- 7 Eco Business Park II .....
- 8 Eco Business Park III .....
- 9 Frontier Industrial Park .....
- 10 Gemilang Industrial Area, Johor Bahru .....
- 11 Harvestgreen @ Sime Darby Business Park .....
- 12 I-Parc @ Tanjung Pelepas .....
- 13 I-Park @ Indahpura .....
- 14 I-Park @ Senai Airport City .....
- 15 I-Park @ SILC Iskandar Puteri .....
- 16 Indahpura Industrial Park .....
- 17 Iskandar Halal Park .....
- 18 Johor Technology Park .....
- 19 Johor Port Free Zone .....
- 20 Kempas Industrial Area .....
- 21 Kluang Industrial Park .....
- 22 Kota Tinggi Industrial Park .....
- 23 Kulai Industrial Park .....
- 24 Kulai Iskandar Data Exchange .....
- 25 Masai Industrial Area, Pasir Gudang .....
- 26 MEDINI .....
- 27 Mersing Industrial Park .....
- 28 Muar Furniture Park .....
- 29 Nusa Cemerlang Industrial Park .....
- 30 Nusajaya Tech Park .....
- 31 Palm Oil Industrial Cluster (POIC), Tanjung Langsat .....
- 32 Pasir Gudang Industrial Area .....
- 33 Pekan Nenas Industrial Park .....
- 34 Pengerang Intergrated Petroleum Complex (PIPC)  
a) Pengerang Industrial Park (PIP)  
b) Pengerang Maritime Industrial Park (PMIP)  
c) Pengerang Eco Industrial Park (PEIP)
- 35 Pontian Industrial Area .....
- 36 Port of Tanjung Pelepas Free Zone .....
- 37 Segamat Industrial Area II .....
- 38 Segamat Inland Port Industrial Park .....
- 39 Senai Airport City Industrial Area .....
- 40 Senai Airport Free Zone Industrial Area .....
- 41 Senai Industrial Estate 1,2,3 and 4 .....
- 42 Setia Business Park I .....
- 43 Setia Business Park II .....
- 44 Sime Darby Business Park, Bandar Universiti Pagoh .....
- 45 Sime Darby Industrial Park, Pasir Gudang .....
- 46 Simpang Renggam Industrial Park .....
- 47 Southern Industrial And Logistics Clusters (SILC)  
Sri Gading Industrial Area .....
- 48 Sri Gading Industrial Area .....
- 49 Tangkak Industrial Area, Tangkak .....
- 50 Tanjung Bin Petrochemical Maritime Industry Center .....
- 51 Tanjung Langsat Industrial Complex .....
- 52 Tanjung Langsat Port Area .....
- 53 Tanjung Piai Maritime Industrial Park .....
- 54 Tebrau Industrial Area .....
- 55 Wawasan Industrial Area, Batu Pahat .....

Source: MIDA

# Foreign investments in Iskandar Malaysia



Source: IRDA

# Areas of collaboration in the JS-SEZ

## 4 Areas

### 1 Strategic Economic Collaborations

- Manufacturing (E&E, petrochemicals, oleochemicals, food and agro-processing)
- Renewable Energy
- Tourism
- Smart City Development
- Financial and Business Services

### 2 Boosting Connectivity

- Physical Connectivity
- Digital Connectivity

### 3 Talent Management and Joint Research

### 4 Building Effective Industry Engagement





## Strategic Economic Collaborations

### 1. Manufacturing – E&E



#### New Industrial Master Plan (NIMP) 2030

- Create global integrated circuit (IC) design champions + attract global leaders to establish wafer fabrication in Malaysia.



#### Strong Fundamentals in Semiconductor

- Synergetic efforts in attracting the top-tier industry giant (e.g. TSMC).

### 2. Renewable Energy



#### National Energy Transition Roadmap

- Large solar scale (LSS) program in Malaysia restricts foreign ownership to no more than 49%. A special exemption on foreign ownership restrictions.
- Both counties can explore opportunities for collaboration in floating solar panel farms.
- Cross-border electricity trading generated from renewable energy sources, carbon capture, and carbon capture, utilisation and storage (CCUS) hub.

### 3. Tourism



#### Geographical Advantages

- Seamlessly integrate comprehensive tourism packages – e.g. bundle package to visit the key attractions in both countries.
- Co-organise sports and entertainment events.
- Explore the mutual recognition of digital identity.

### 4. Smart City Development



#### Iskandar Malaysia

- Leveraging advanced technologies for a sustainable and connected urban future – 6 dimensions of smart city framework.

### 5. Financial and Business Services



#### Special Financial Incentives

- Established a special financial zone in Forest City in Aug 2023 – a special tax rate of 15% for skilled labour + special tax incentives for businesses and immigration facilitation.
- Malaysia ranked 3<sup>rd</sup> best global services location + rising interests among global giants in setting up data centre.



## Boosting Connectivity

### 1. Physical Connectivity



#### Johor Bahru-Singapore Rapid Transit System (RTS)

- It is expected to pull in 35% of the 350,000 people who travel across the Johor-Singapore Causeway daily.



#### Transportation

- Ferry connections, 3<sup>rd</sup> bridge, and Kuala Lumpur-Singapore High-Speed Rail

### 2. Digital Connectivity



#### National Digital ID (NDID) + Singapore Personal Access (Singpass)

- Mutual recognition of digital identity helps to expedite immigration clearance and enhance efficiency in various applications.
- It can be explored to have a border-free approach for both nations, akin to the Schengen Agreement in Europe.



## Talent Management and Joint Research



### Strategic Education Hub

- Implement educational exchange programs at primary and secondary schools to broaden students' skills.
- Joint research between higher learning institutions in both countries – especially in the food and agro-processing industry.
- Potential collaboration includes artificial intelligence (AI) – Iskandar Malaysia can tap into Singapore's NUS AI Lab.



## Building Effective Industry Engagement



### Collaboration from Top to Bottom

- The industry representation in the Taskforce/Committee is vital to provide feedback and suggestions.
- A two-way communication flow is needed between the business community and implementing agencies of two countries.



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# THANK YOU

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