January 9, 2025

JS-SEZ: It's a deal!

Signed, Sealed, Delivered

Malaysia and Singapore officially signed the Johor-Singapore Special Economic Zone (JS-SEZ) agreement on 7th January at the Singapore-Malaysia leaders' retreat. It marks a new era of investment opportunities with the strong support and commitment from leaders in both countries amidst external trade and geopolitical uncertainties.

Specifically, the economic zone encompasses flagship areas across 9 zones (Figure 1) and identifies up to 15 sectors for growth. Apart from the 6 areas under Iskandar Malaysia (i.e. Johor Bahru City Centre, Iskandar Puteri, Tanjung Pelepas-Tanjung Bin, Pasir Gudang, Senai-Skudai and Sedenak), there will also be another 3 areas i.e. Forest City (which is also designated as the Special Financial Zone), Pengerang (i.e. the integrated petrochemical complex) and Desaru.

In addition, the JS-SEZ will prioritise the following sectors and industries: manufacturing (including advanced electronics), digital economy, green economy, business services, financial services, logistics, energy, chemicals, aerospace, tourism, health (including pharmaceuticals and medical devices), education and food security.

Governmental support and incentives

The JS-SEZ agreement could create a regionally differentiated value proposition through a combination of capital access, infrastructure as well as policy stability and support (Figure 2). In particular, the SEZ has the ability to leverage Singapore's global finance and logistics centre capabilities with Johor's access to competitive land, labour and energy to deliver a compelling proposition – especially for supply chains looking for alternatives to North Asia amidst the US-China trade tensions.

Figure 1: JS-SEZ: 9 flagship areas have been identified

Source: Maybank IBG, CNA| 8 January 2025

Figure 2: Differentiated value proposition of the JS-SEZ

Source: Maybank IBG, JS-SEZ | 7 January 2025

There will be dedicated JS-SEZ funds provided by the Malaysia and Singapore governments. Malaysia will establish an infrastructure development fund under the Ministry of Economy, which we see mainly for improving and enhancing connectivity within the JS-SEZ, thus complementing the Johor Bahru –Singapore Rapid Transit System (RTS) Link, as well as utilities. Singapore will provide funding support to facilitate Singaporean companies expanding into the JS-SEZ and the potential twinning operations of multi-national companies (MNCs) in Singapore and the JS-SEZ.

Apart from technology-enabled people movements and enhanced visas, further tax incentives for new investments and income taxes are also envisaged. Notably, Malaysia's Ministry of Finance (MoF) has announced 1) special corporate tax rate of 5% for up to 15 years for companies undertaking new investments in qualifying manufacturing and services activities, such as artificial intelligence (AI) and quantum computing supply chain, medical devices, aerospace manufacturing and global services hub; 2) special income tax rate of 15% for 10 years for eligible knowledge workers working in the JS-SEZ; and 3) additional tailor-made incentives allocated to businesses operating in certain flagship areas.

Investment implications

Overall, we see significant potential for the JS-SEZ to deliver value creation for both Malaysia and Singapore through enhancing cross-border connectivity, facilitating easier people movement and strengthening business ecosystems. Sector-wise, we believe financials, gaming, industrials, technology and telecommunication stocks are likely to benefit the most in Singapore. As for Malaysia, the JS-SEZ is poised to support the investment upcycle and drive the growth of financials, construction, industrial property, data centres and technology sectors with secondary beneficiaries to include residential, retail and office properties, as well as consumer companies.

*Note:
This insight is prepared using the following Maybank Investment Banking Group (IBG) reports on JS-SEZ as reference:
1. Sustaining Malaysia's investment upcycle (8 January 2025)
2. Realising a vision (8 January 2025)
3. Singapore winners (7 January 2025)

Figure 3: Potential sector beneficiaries in Malaysia and Singapore

Country	Equity sectors
Malaysia	• Financials • Construction • Technology • Data Centres • Property • Consumer
Singapore	• Financials • Industrials • Technology • Telecommunication • Gaming

Source: Maybank IBG | 8 January 2025

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