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Malaysia

A resounding victory for BN in Johor

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- Barisan Nasional (BN) won a landslide victory in the 11 July elections, securing 48 of 56 seats, up from 40 seats in the 2022 elections. Pakatan Harapan (PH), PM Anwar's coalition, won 8 seats compared to 12 in 2022. The results represent a resounding victory for the incumbents and make the relationship between the federal and state governments even more pertinent.

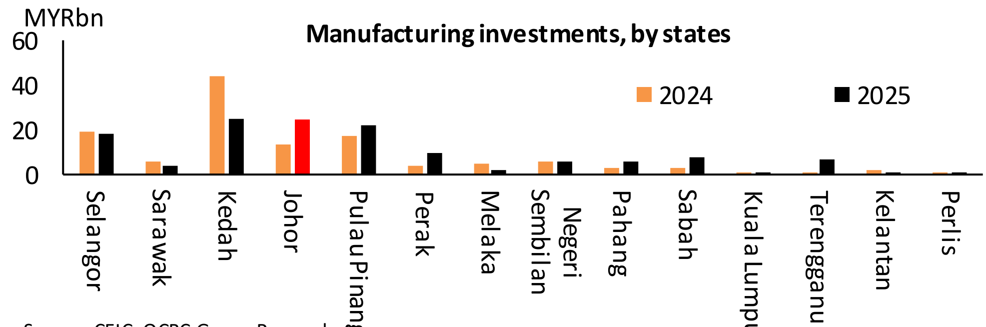
- We have argued before, and maintain, that the economic outlook and the policies for Johor will not shift materially because of these elections. With the elections out of the way, the focus can shift back to economic policies for Johor and pave the way for the Johor Singapore Special Economic Zone (JS-SEZ) blueprint to be released in 4Q26.

- The political calendar is likely just heating up. BN will head to the polls in Negeri Sembilan on 1 August with strong momentum on its side. National polls also cannot be ruled out within the next 12 months against a backdrop of resilient economic activity, underscored by May retail and wholesale trade growth. This data has nudged down our 2Q26 GDP tracking estimate slightly to 6.0% YoY (versus 6.2% previously).

Barisan Nasional (BN) won a landslide victory in the 11 July elections, securing 48 of 56 seats, up from 40 seats in the 2022 elections. This gives BN a supermajority, surpassing the required threshold of 38 seats. Pakatan Harapan (PH), PM Anwar's coalition, won 8 seats compared to 12 in 2022. The results represent a resounding victory for the incumbents and make the relationship between the federal and state governments even more important. Other parties including Bersama and Perikatan Nasional (PN) failed to secure any seats. PN lost all three of its seats, while Bersama is likely to forfeit its deposits as its candidates fell short of the 12.5% vote-share threshold required to retain them (candidates got 3-6% of the votes on average). BN's vote share increased sharply to 59.7% from 43.1% in the 2022 elections. Similarly, PH's vote share rose to 32.6% from 26.4% in 2022, largely at the expense of other parties.

	2022		2026	
Party	**Seat won**	**Seats Contested**	**Seats Won**	**Seats Contested**
BN	40	56	48	56
PH	12	50	8	56
PN	3	56	0	33
MUDA	1	7	0	4
BEBAS	0	16	0	6
PSM	0	1	0	1
BERSAMA	n.a.	n.a.	0	15
Source: electiondata.my; OCBC Group Research.				

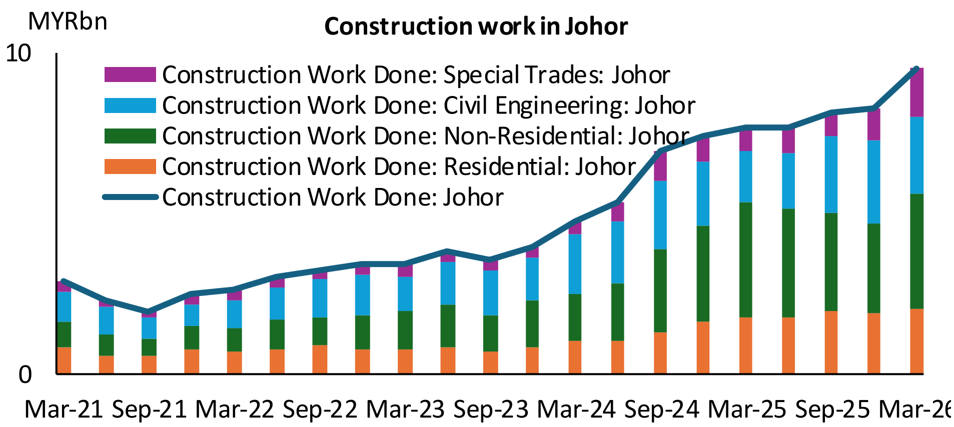
The appointment of the Menteri Besar will be watched closely. Caretaker Johor Menteri Besar Datuk Onn Hafiz Ghazi retained the Machap seat, although it remains unclear whether he will retain the Menteri Besar post. We have argued before, and maintain, that the economic outlook and the policies for Johor will not shift materially because of these elections. The policies implemented were developed collaboratively by the federal and state governments, suggesting strong alignment in economic policymaking.



Source: CEIC; OCBC Group Research.

With the elections out of the way, we see the focus shifting back to economic policies for Johor. Investments into the state of Johor have remained solid with manufacturing investment approvals at MYR24.6bn in 2025 from MYR13.6bn in 2024. Growth in construction worth was up 48.3% in 2025 versus 59.4% in 2024, with 1Q26 resilient at

12.6% YoY. For the JS-SEZ, new investment approvals stood at MYR5.49bn in 1Q26, with cumulative investments at MYR76.98bn from 2024. The blueprint for the JS-SEZ will likely be published in 4Q26; it has been finalized and received cabinet approval.



Source: CEIC; OCBC Group Research.

The political calendar is likely only beginning to heat up. BN will go head to the polls in Negri Sembilan on 1 August with strong momentum on its side, in a direct contest with PH similar to Johor. National snap elections also cannot be ruled out over the next 12 months. The intensification of the political cycle can weigh on investor sentiment, particularly because we have seen it has been impacted by these gyrations in the past.

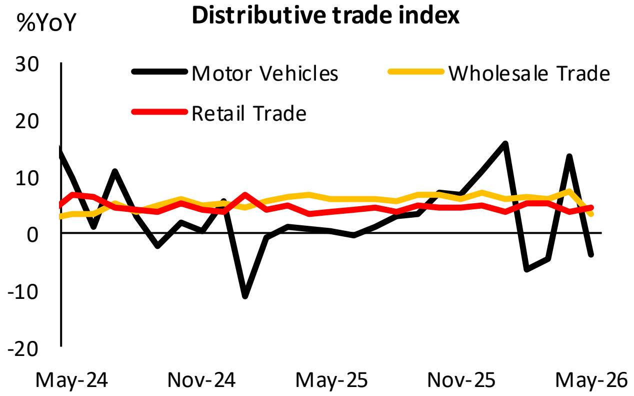
While the risks associated with lesser-known parties and their policies remain an overhang, we do not see a direct contest between PH and BN as highly differentiating for economic policies. Moreover, strong reform momentum in recent years is reflected in resilient economic activity even against a less certain external backdrop. Many of the reforms, including the Public Finance and Fiscal Responsibility Act (FRA) 2023, have been inscribed into legislation providing greater clarity and prospects of policy continuity. Strong legislative action continued even into 2025.

Some important bills passed in the Dewan Rakyat in 2025		
06-Mar-25	Government Service Efficiency Commitment Bill 2025	Under the Act, Government entities are required to reduce the regulatory burden by at least 25% every three years, as well as review the procedures under their regulatory instruments.
		The law extends reporting to statutory bodies, state government entities and even local governments.
06-Mar-25	Employees Provident Fund (Amendment) Bill 2025	The bill introduced mandatory EPF contributions for non-Malaysian citizen employees starting October 1, 2025, with both employers and employees required to contribute 2% of monthly wages
06-Mar-25	Carbon Capture, Utilization and Storage Bill 2025	The CCUS Act 2025 provides a first national level legal framework governing the capture, transportation and permanent storage of carbon dioxide.

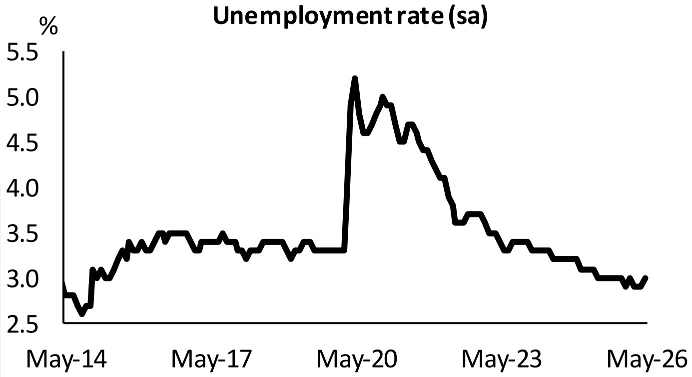
		A dedicated Malaysia CCUS Agency will be set up to support implementation of the CCUS Act 2025, with responsibilities such as overseeing, regulating, and promoting CCUS activities across the value chain, issuing permits, managing resources and funding mechanisms, advising the government, and ensuring compliance with the CCUS Act 2025.
28-Aug-25	Government Procurement Bill 2025	The bill aims to reform public procurement by establishing a comprehensive legal framework, increasing transparency, and reducing corruption.
		Key features include the creation of a Government Procurement Appeal Tribunal to review contract award decisions, mechanisms for challenging the Finance Minister's decisions, and punitive action for violations.

Source: Malaysia Parliament, Fulcrum.sg, Skrine, MyCCUS, OCBC Group Research.

May retail and wholesale trade data remained resilient, although they prompted us to revise our 2Q26 GDP tracking estimate slightly lower to 6.0% YoY (versus 6.2% previously). Labour markets are also in a strong position. The unemployment rate edged up modestly to 3.0% in May 2026 from 2.9% in April, but in line with our long-held view. In terms of monetary policy, Bank Negara Malaysia's (BNM) decision on 9 July was consistent with a broadly neutral stance. We expect BNM to remain on hold through 2026, before normalising the policy rate in early 2027 to 3.00% from the current 2.75%.



Source: CEIC; OCBC Group Research.



Source: CEIC; OCBC Group Research.

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