

## Malaysia

### Politics in the limelight

Lavanya Venkateswaran  
Senior ASEAN Economist

- The state of Johor will go to the polls in the 60 days from 1 June following a dissolution of the state assembly.
- The political contest is set to be a three-way race between the major coalitions: Barisan Nasional, Pakatan Harapan, and Perikatan Nasional.
- We, however, believe that there will be a distinction between politics and policies. We do not expect the incoming administration to undo the economic policies put in place to bolster Johor's economy – it may boil down to some policy fine-tuning.
- Importantly, this state election will prove to be a bellwether for PM Anwar's PH coalition as the noise around potential national elections becomes louder.

## Johor readies for elections

Johor Chief Minister Onn Hafiz Ghazi said in a special press conference on 1 June that he had received royal consent to dissolve the state assembly, triggering snap elections. The next election will need to be held within 60 days, at the discretion of the Election Commission (EC) of Malaysia. The timing of the state election was somewhat surprising considering the Malacca and Sarawak state assemblies needed to be dissolved before Johor. However, the incumbent administration was likely opportunistic in calling Johor state elections sooner rather than later.

Upcoming state and national elections			
State/National	Date of previous state /national election	Last date for state assembly/parliament dissolution	60 days after last date of dissolution
Melaka	20-Nov-21	27-Dec-26	25-Feb-27
Sarawak	18-Dec-21	14-Feb-27	15-Apr-27
Johor	12-Mar-22	21-Apr-27	20-Jun-27
Malaysia general elections	19-Nov-22	19-Dec-27	17-Feb-28

Source: Election Commission of Malaysia; OCBC Group Research.

The timeline for nominations and the election date will be set out by the EC, with parties deciding on the candidates contesting for the 56-seat state assembly. The 2022 elections resulted in Barisan Nasional (BN) holding 40 seats, Pakatan Harapan (PH) 12 seats, and Perikatan Nasional (PN) 2 seats with one seat to MUDA. The political temperature had risen after incumbent CM noted that BN will contest all 56 seats in Johor<sup>1</sup>. Following this, PH also noted that it will contest all 56 seats in Johor as will PN. PN, as of 2 June, noted that 80% of its seat allocations had been finalised<sup>2</sup>. This sets up the Johor elections as a three-way contest.

## Politics versus policies

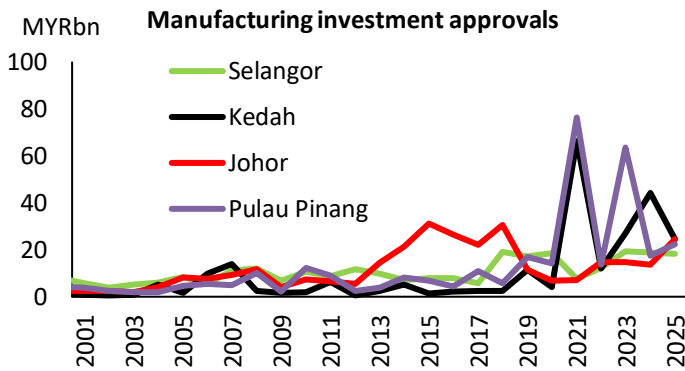
While political rumbles will continue through the election process, the underlying differences, if any, in economic policies remain to be seen. The BN-PH alliance worked well in Johor in recent years, with the launch of the Johor-Singapore Special Economic Zone (JS-SEZ) and the broader buildout of data centres, which supported construction spending and the property sector in 2023-24. Last-mile intra city infrastructure planning and construction will soon be underway, with the national cabinet approval of MYR10bn for an elevated Autonomous Rapid Transit (e-ART)<sup>3</sup> system on 17 May 2026. The Rapid Transit System (RTS) between Johor and Singapore is expected to begin operations in 2027.

<sup>1</sup> Malaysia's Barisan Nasional to contest all 56 seats in Johor's next state election: Chief Minister Onn Hafiz, CNA, 16 May 2026.

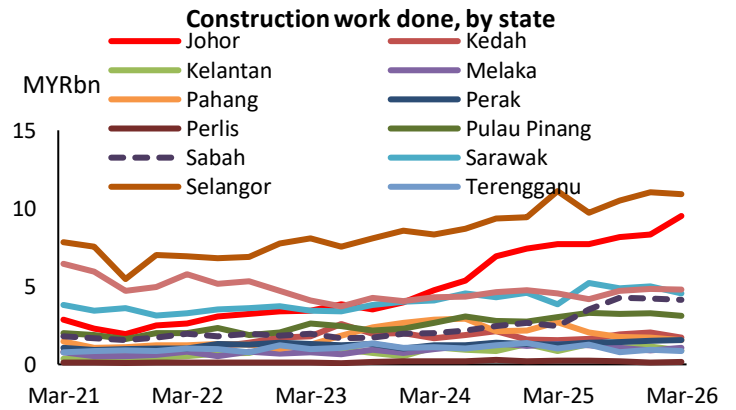
<sup>2</sup> Seat allocation for Johor polls 80% complete, says PN, Free Malaysia Times, 2 June 2026.

<sup>3</sup> Malaysian Cabinet approves \$3.2b Elevated Autonomous Rapid Transit project to ease JB traffic, The Straits Times, 18 May 2026.

We see both BN and PH incentivised to continue with the ongoing reform agenda, albeit fine-tuning aspects that require attention. The JS-SEZ was conceived and built as a framework to survive and even thrive despite political shifts. Admittedly, PN’s economic agenda is less clear. However, our assumption is that incoming economic policies will unlikely be highly disruptive.



Source: CEIC; OCBC Group Research.



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### What Johor’s elections could be mean for national elections

The Johor state assembly elections will be viewed as a litmus test for PM Anwar’s electoral popularity. Recent state elections have yielded mixed results for PH, but speculation is rife that national elections are approaching. The last possible date for the current parliament to be dissolved is 19 December 2027, and elections must be called within 60 days. Even His Majesty Sultan Ibrahim, the King of Malaysia, urged politicians to exercise caution in their language<sup>4</sup>.

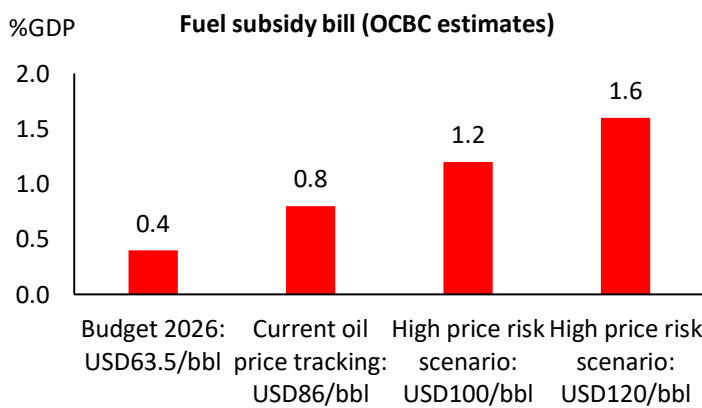
Election date	State	Ruling Party/Coalition	Election Outcome
12-Aug-23	Selangor	Pakatan Harapan (PH)	Retained: PH-BN alliance won 34/56 seats but lost its two-third majority.
	Penang	Pakatan Harapan (PH)	Retained: PH won 29/40 seats, holding its supermajority.
	Negeri Sembilan	PH + Barisan Nasional (BN)	Retained: PH-BN alliance won 31/36 seats, a dominant victory.
	Kedah	Perikatan Nasional (PN)	Retained: PN swept 33/36 seats, nearly wiping out the opposition.
	Kelantan	Perikatan Nasional (PN)	Retained: PN won 43/45 seats.
	Terengganu	Perikatan Nasional (PN)	Retained: PN achieved a historic clean sweep, winning all 32 seats.
29-Nov-25	Sabah	Gabungan Rakyat Sabah (GRS)	GRS formed a government with support from BN (6 seats) and smaller allies like UPKO and PH.

Source: Election Commission of Malaysia; OCBC Group Research.

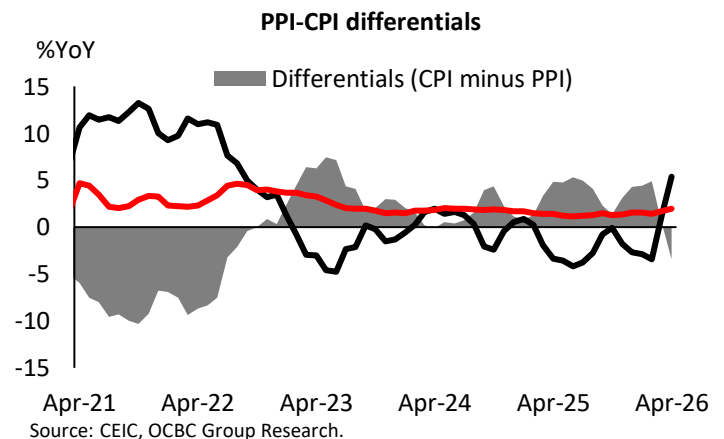
<sup>4</sup> Watch your words and conduct, King warns politicians, TheStar, 2 June 2026.

Although this timeline is still about eighteen months away, the economic management pressures are non-negligible. The fuel subsidy bill is rising sharply and will exceed 1% of GDP if global oil prices average USD100/barrel for 2026, by our estimates. This puts pressure on the authorities to tweak the Budi95 mechanism and lower the subsidy bill – an inherently unpopular move. Moreover, as we have argued, the continued closure of the Strait of Hormuz is causing the energy situation to shift from a price to volume shock leaving the various energy dependent sectors vulnerable to supply shortages and reduced output (see *ASEAN-6 & India: Geopolitics is starting to extract a toll*, 15 May 2026).

These pressures suggest that a clear political mandate for economic reforms and policies will allow the authorities the much-needed flexibility and nimbleness required during these times of uncertainties. Global geopolitical outcomes notwithstanding, the domestic political calendar is now rolling for another set of state elections and potentially a general election. While Johor’s election date is yet to be confirmed, there are also elections slated for Malacca and Sarawak in the coming 12 months.



Source: OCBC Group Research.



Source: CEIC, OCBC Group Research.

We are seeing incipient signs of price pressures, with the producer price index rising by 5.4% YoY in April versus 1.1% in March and CPI inching higher to 1.9% from 1.7% in March. The pervasiveness and persistence of inflationary pressures will be crucial in determining whether Bank Negara Malaysia (BNM) reverses its 25bp cut from July 2025. Our baseline is for BNM to keep its policy rate unchanged at 2.75% but the risk is for a normalisation back to 3.00% in 2H26.

Johor’s state election represents more than a routine political event. It is a strategic contest with implications for national politics, economic policy continuity, and investor confidence. While political competition is expected to intensify, policy continuity—particularly in growth-supporting initiatives—remains the central expectation. At a broader level, the election serves as an early indicator of Malaysia’s political trajectory as the country approaches the next general election amid rising economic and geopolitical uncertainties.

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