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Global Economics & Market Strategy

Malaysia's High-Value Economy: Mapping Regional Strengths

- **Malaysia's high-value economic activities are concentrated in five regional growth centres. These comprise Selangor as the advanced manufacturing and innovation hub, Penang as the semiconductor and electronics hub, Johor as the regional investment and logistics hub, Sarawak as the energy transition and green industrial hub, and Kuala Lumpur as the nation's knowledge-intensive services hub.**

- **Collectively, Selangor, Kuala Lumpur, Penang, Johor and Sarawak account for nearly 70% of Malaysia's GDP, around 71% of manufacturing and services output, almost 94% of merchandise exports, and more than 70% of approved investments, underscoring their importance as the country's principal centres of high-value economic activities.**

- **Malaysia's regional growth centres are well-positioned to drive the next phase of high-value economic development. Continued investment in infrastructure, innovation, human capital and industrial upgrading will be essential to sustain Malaysia's competitiveness and strengthen its integration into regional and global value chains.**

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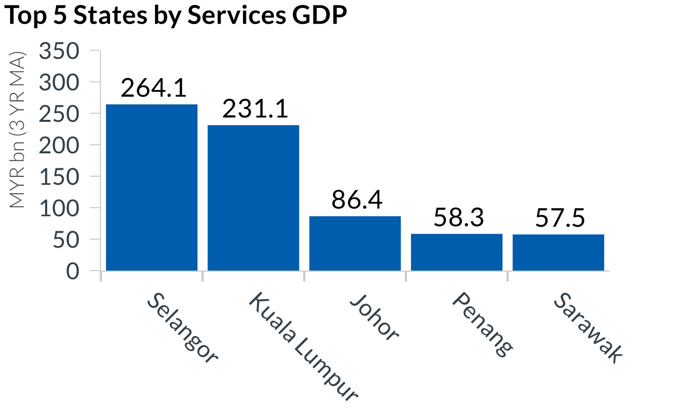
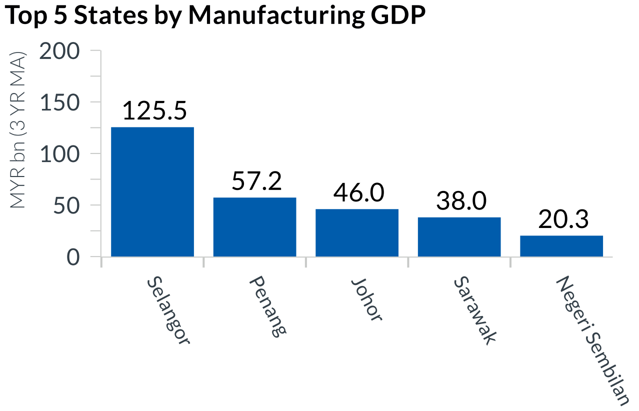
Figure 1: Selangor, Johor and Penang are the key contributors to services…



Source: Macrobond, RHB Economics & Market Strategy.

Figure 2: …and manufacturing output



Source: Macrobond, RHB Economics & Market Strategy.

Malaysia's Transition Towards a High-Value Economy

Malaysia's economic transformation increasingly depends on high-value economic activities that drive productivity gains, strengthen export competitiveness and generate greater value added. Recognising their importance in supporting long-term growth, the Government has shifted its policy focus from labour-intensive industries towards innovation- and productivity-driven development, as reflected in key national initiatives such as the New Industrial Master Plan 2030 (NIMP 2030), the National Energy Transition Roadmap (NETR) and the National Semiconductor Strategy (NSS).

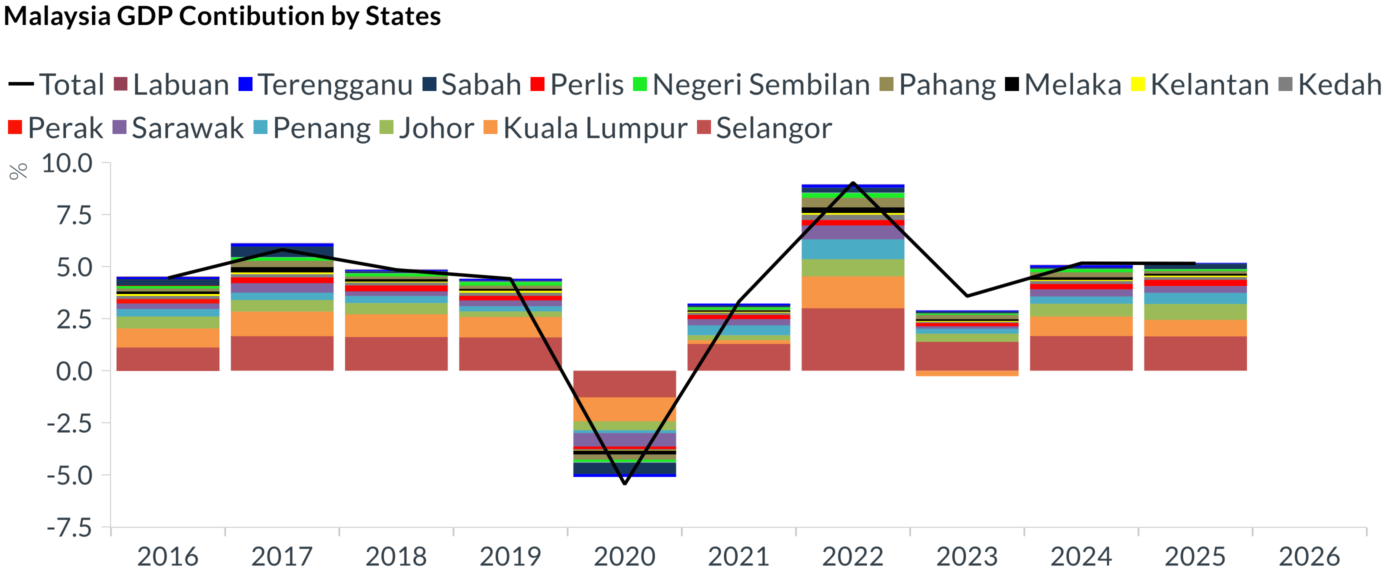
In this paper, high-value economic activities refer to advanced manufacturing and knowledge-intensive services that generate high value added, exhibit high productivity, leverage technology, innovation and skilled labour, and are integrated into regional and global value chains. By enabling Malaysia to move up the value chain through activities such as research and development (R&D), engineering, advanced manufacturing and digital services, these activities enhance the country's competitiveness, attract technology- and capital-intensive investments, and generate positive spillovers through innovation, technology transfer and high-skilled employment. Over time, a broader base of high-value economic activities strengthens economic resilience by diversifying the export base, reducing reliance on lower value-added industries and improving Malaysia's ability to withstand external shocks.

Figure 3: Malaysia's High-Value Economic Landscape

Manufacturing	Services
Semiconductors & E&E	ICT & Digital Economy
Aerospace	Finance & Fintech
Medical Devices	Global Business Services (GBS)
Pharmaceuticals	Professional Services
Machinery & Equipment	Engineering & R&D Services
Specialty Chemicals	Logistics & Supply Chain
Green Technologies (Hydrogen, Renewable Energy, Batteries)	Energy & Sustainability Services

Source: RHB Economics & Market Strategy

Figure 4: Collectively, Selangor, Kuala Lumpur, Penang, Johor and Sarawak account for nearly 70% of Malaysia's GDP



Source: Marcobond, RHB Economics & Market Strategy

Regional Concentration of High-Value Economic Activities

The development of high-value economic activities has been shaped by regional industrial ecosystems, with each region leveraging its own resource endowments, infrastructure, investment profile and comparative advantages. Against this backdrop, this paper focuses on five representative regional growth centres: Selangor as the advanced manufacturing and innovation hub, Penang as the semiconductor and electronics hub, Johor as the regional investment and logistics hub, Sarawak as the energy transition and green industrial hub, and Kuala Lumpur as the nation's knowledge-intensive services hub. Together, these regions illustrate how regional specialisation supports Malaysia's transition towards a more productive, innovation-driven and globally competitive economy.

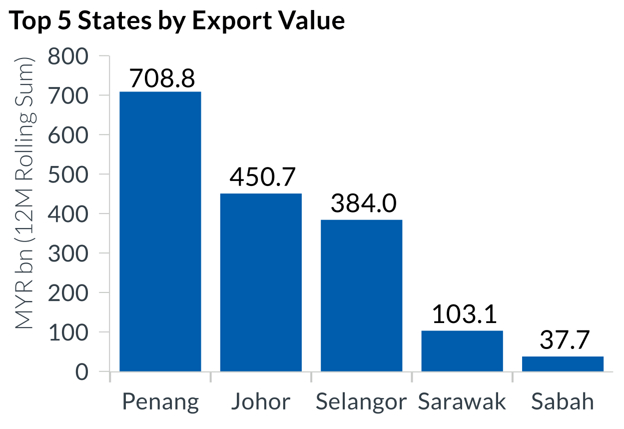
Collectively, Selangor, Kuala Lumpur, Penang, Johor and Sarawak account for nearly 70% of Malaysia's GDP, around 71% of manufacturing and services output, almost 94% of merchandise exports, and more than 70% of approved investments, underscoring their importance as the country's principal centres of high-value economic activities. While these five regions collectively drive Malaysia's economic growth, each has developed distinct economic specialisations. Selangor remains Malaysia's largest and most diversified economy, underpinned by its strong manufacturing and services base. Kuala Lumpur serves as the country's financial and knowledge-intensive services centre, while Penang has established itself as Malaysia's leading semiconductor and electronics hub. Johor has emerged as a major investment and logistics hub, supported by continued expansion in advanced manufacturing and digital infrastructure. In contrast, Sarawak's strengths lie in renewable energy and downstream resource-based industries, supporting Malaysia's energy transition. These complementary strengths reinforce Malaysia's competitiveness across different segments of the high-value economy.

Figure 5: Five States Dominate Malaysia's GDP, Exports and Investment

State	Share of Malaysia's GDP (%)	Share of Mfg Output (%)	Share of Services Output (%)	Share of Exports (%)	Share of Approved Investment (%)
Selangor	26.2	32.8	26.9	21.8	19.6
Kuala Lumpur	15.2	1.7	23.5	n.a.	15.0
Penang	9.6	14.9	5.9	40.2	7.6
Sarawak	9.4	9.9	5.9	5.8	3.3
Johor	9.0	12.0	8.8	25.6	25.5

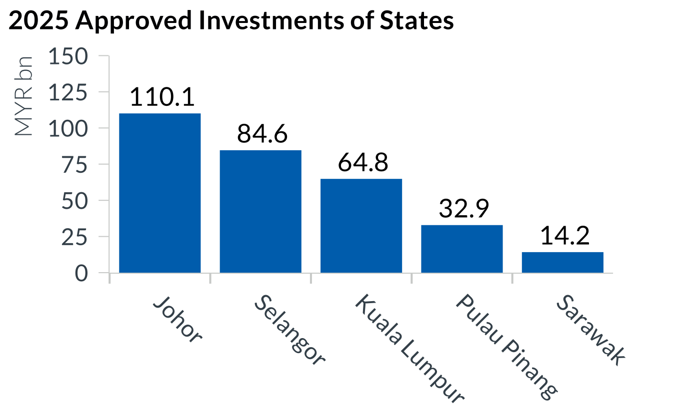
Source: RHB Economics & Market Strategy

Figure 6: The exports are mainly contributed by Penang, Johor and Selangor



Source: Macrobond, RHB Economics & Market Strategy.

Figure 7: Johor and Selangor secured the highest approved investments in 2025



Source: CEIC, RHB Economics & Market Strategy.

Investment Trends Reinforce Regional Specialisation

The five states also remained the main recipients of investment. In 2025, Johor attracted the highest approved investments (MYR110.1 billion), followed by Selangor (MYR84.6 billion), W.P. Kuala Lumpur (MYR64.8 billion), Penang (MYR32.9 billion) and Sarawak (MYR14.2 billion), together accounting for around 71% of Malaysia's total approved investments. In 1Q26, Selangor led with MYR33.5 billion, ahead of Johor and W.P. Kuala Lumpur (MYR16.9 billion each), reflecting continued investor confidence in Malaysia's leading high-value economic centres.

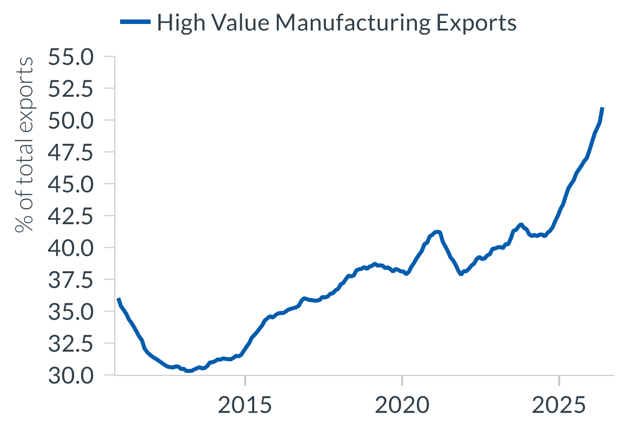
The investment profile broadly mirrors the existing comparative advantages of each region. Johor, Penang and Selangor continue to attract large-scale investments in technology-intensive manufacturing and knowledge-intensive services, while Sarawak's investments remain concentrated in resource- and energy-related industries. Kuala Lumpur, meanwhile, continues to strengthen its position as Malaysia's leading centre for knowledge-intensive services. These investment patterns suggest that future economic growth will continue to be supported by regionally specialised high-value activities.

In detail, Johor recorded the largest amount of approved high-value investments at MYR73.2 billion in 2025, accounting for 81.3% of its total approved investments. This was driven primarily by investments in Information and Communications and Chemicals & Chemical Products, highlighting the state's growing role in digital infrastructure and advanced manufacturing. Penang also continued to attract substantial high-value investments, with MYR16.3 billion, largely concentrated in the E&E and Machinery & Equipment industries, reflecting its well-established semiconductor ecosystem.

Selangor remained a key destination for high-value investments, recording MYR13.5 billion in approved investments, equivalent to 60.3% of its total. Investment was primarily concentrated in the Electrical & Electronics and Fabricated Metal Products industries, consistent with the state's diversified advanced manufacturing base. Meanwhile, Sarawak's high-value investments were largely concentrated in Chemicals & Chemical Products, supporting the state's strategy to develop downstream resource-based industries and green industrialisation. Kuala Lumpur, in contrast, attracted high-value investments which were concentrated in Global Establishments, reflecting its role as the country's corporate headquarters and knowledge-intensive services centre rather than a manufacturing hub.

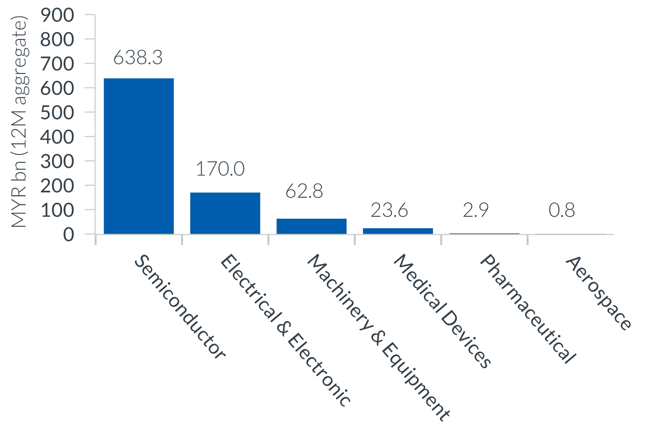
In terms of trade, these states remain the main contributors to Malaysia's merchandise exports, with Selangor, Penang, Johor and Sarawak accounting for a significant share of the country's total exports. More importantly, high-value manufacturing exports have gained increasing importance over the years, accounting for a growing share of total merchandise exports (Figure 8). This expansion has been driven primarily by the semiconductor and E&E industries, with Selangor, Penang and Johor contributing the bulk of these high-value manufacturing exports. The concentration of high-value exports in these states reflects their well-established industrial ecosystems and reinforces their role as Malaysia's key manufacturing and export hubs.

Figure 8: The high value manufacturing exports has gained importance over the years…



Source: Macrobond, RHB Economics & Market Strategy.

Figure 9: …led by semiconductor and E&E industries



Source: Macrobond, RHB Economics & Market Strategy.

Figure 10: Johor and Selangor emerged as the top recipients of approved investments in 2025 and 1Q26.

State	1Q26 (MYR mn)				2025 (MYR mn)			
	Projects	Domestic Inv	Foreign Inv	Total Inv	Projects	Domestic Inv	Foreign Inv	Total Inv
Selangor	**372**	**10,105**	**23,421**	**33,526**	**2,564**	**49,561**	**35,064**	**84,625**
Johor	**191**	**3,790**	**13,145**	**16,936**	**1,349**	**49,532**	**60,519**	**110,051**
Kuala Lumpur	**209**	**8,777**	**8,109**	**16,886**	**1,118**	**39,884**	**24,939**	**64,823**
Pulau Pinang	**147**	**2,621**	**3,608**	**6,228**	**745**	**14,728**	**18,150**	**32,878**
Sarawak	**20**	**1,287**	**2,710**	**3,997**	**241**	**5,277**	**8,916**	**14,194**
Negeri Sembilan	33	300	3,166	3,466	295	14,699	4,431	19,130
Sabah	12	2,688	52	2,739	159	7,932	6,618	14,550
Perak	98	1,421	344	1,765	560	10,548	5,207	15,755
Pahang	38	458	1,010	1,468	280	2,771	5,340	8,111
Kedah	50	1,154	226	1,380	397	4,796	22,995	27,791
Melaka	40	866	156	1,021	312	6,256	8,429	14,685
Terengganu	7	348	52	400	76	1,380	6,201	7,581
Kelantan	9	376	24	400	88	1,643	0	1,644
Putrajaya	4	263	0	263	17	823	40	863
Labuan	9	29	61	90	36	141	331	472
Perlis	NA	24	-	24	13	217	-	217
Undecided**	10	2,157	99	2,256	183	12,209	1,503	13,713
Total	**1,249**	**36,661**	**56,181**	**92,842**	**8,433**	**222,397**	**208,684**	**431,081**

Source: RHB Economics & Market Strategy, MIDA

Figure 11: The five states are also the key recipients of high-value investment

State	High-Value Mfg (MYR bn)	High-Value Services (MYR bn)	Total High Value Investments (MYR bn)	High-Value Investment Share (%)	Main High-Value Investment Sectors
Johor	18.9	54.3	73.2	81.3	Information and Communication, Chemical & Chemical products
Penang	16.3	0.0	16.3	71.2	Electronic & Electrical, Machinery & Equipment
Selangor	13.5	0.0	13.5	60.3	Electronics & Electrical, Fabricated Metal Products
Sarawak	2.2	0.0	2.2	57.1	Chemical & chemical products
Kuala Lumpur	0.1	0.1	0.2	27.8	Global Establishment

Source: RHB Economics & Market Strategy; CEIC. Data as of 2025.
Note: High-value approved investments comprise selected manufacturing and services sectors based on MIDA's approved investment categories. Manufacturing includes technology- and capital-intensive industries such as E&E, machinery and equipment, fabricated metal products, transport equipment, scientific and measuring equipment, chemicals and chemical-related products, while services comprise Information and Communications (ICT) and Global Establishments.

Comparative Advantages of Malaysia's Regional Growth Centres

Although these regional growth centres collectively drive Malaysia's high-value economy, each has developed distinct comparative advantages based on differences in industrial capabilities, infrastructure, resource endowments and policy priorities. These strengths have enabled them to specialise in different segments of manufacturing and knowledge-intensive services while reinforcing Malaysia's position within regional and global value chains.

(1) Johor – Regional Investment and Logistics Hub

Johor's future growth is expected to be supported by the Johor–Singapore Special Economic Zone (JS-SEZ), which aims to strengthen economic integration with Singapore and accelerate the state's transition towards higher value-added industries. Leveraging Johor's strategic location, well-developed infrastructure and close connectivity with Singapore, the JS-SEZ is expected to attract higher-quality investments, deepen supply chain linkages and strengthen cross-border business activities. Investor confidence remains strong, with Johor recording the highest approved foreign direct investment (FDI) in Malaysia for two consecutive years. Beyond advanced manufacturing and logistics, the JS-SEZ is expected to support growth in the digital economy, financial and business services, green economy, healthcare and education. The initiative targets 50 projects within its first five years and 100 projects over the next decade, while creating 20,000 skilled jobs, further strengthening Johor's position as a regional hub for high-value industries.

The state's key growth sectors include E&E, semiconductors, chemicals, machinery and equipment, logistics and digital infrastructure. These industries are expected to benefit from continued investment under the JS-SEZ, reinforcing Johor's role in export-oriented manufacturing and regional distribution. Over the longer term, stronger collaboration with Singapore is expected to support higher value-added activities, including R&D, technology transfer and innovation, strengthening Johor's capabilities in advanced manufacturing and emerging technology industries.

Johor's services sector is also well-positioned to benefit from closer cross-border integration. Higher business and tourist flows are expected to support logistics, financial services, tourism and other business-related services, while ongoing efforts to improve cross-border connectivity, facilitate trade and harmonise business regulations are likely to further enhance Johor's competitiveness as a regional investment destination.

(2) Selangor – Advanced Manufacturing and Innovation Hub

Selangor has developed Malaysia's most diversified high-value industrial base, supported by advanced manufacturing, knowledge-intensive services and a strong innovation ecosystem. As the country's largest manufacturing state, Selangor hosts well-established industrial clusters in E&E, machinery and equipment, aerospace, pharmaceuticals and medical technology. These industries are supported by extensive industrial parks, engineering services, testing facilities, logistics providers and research institutions, creating strong supply chain linkages and knowledge spillovers.

The services sector, which contributes more than 60% of Selangor's GDP, complements the state's manufacturing base through logistics, finance, ICT and Global Business Services (GBS). Selangor has also emerged as Malaysia's leading destination for digital investments, supported by near-complete 5G coverage, a growing concentration of data centres and digital infrastructure, and a strong pipeline of skilled talent.

Looking ahead, Selangor is positioning itself to capture higher value-added opportunities across semiconductors, aerospace, life sciences and digital technologies. The Malaysia Semiconductor IC Design Parks in Puchong and Cyberjaya aim to strengthen local chip design and R&D capabilities, supporting Malaysia's ambition to move into higher-value semiconductor activities. Meanwhile, initiatives such as the Selangor Aerospace Park at KLIA Aeropolis, the Automotive Valley in Serendah and Lembah Beringin, and the Selangor Digital Future Action Plan (DxF) 2026–2030 are expected to reinforce the state's competitiveness in advanced manufacturing and digital innovation.

(3) Kuala Lumpur – Knowledge-Intensive Services Hub

Kuala Lumpur is Malaysia's leading centre for knowledge-intensive services, supported by its concentration of financial institutions, multinational corporations, corporate headquarters and professional services. As the nation's commercial and financial main hub, the city provides a comprehensive business ecosystem comprising finance, legal, consulting, ICT and Global Business Services (GBS). This concentration of business activities has generated strong demand for high-skilled talent while supporting innovation, digitalisation and productivity growth.

The city also serves as a major regional base for multinational corporations and shared services centres, attracting investments in finance, digital technologies and business services. Supported by advanced digital infrastructure, extensive office developments and a highly educated workforce, Kuala Lumpur continues to strengthen its position as Malaysia's principal hub for knowledge-intensive and internationally tradable services. Looking ahead, Kuala Lumpur is well-positioned to benefit from continued growth in digital services, fintech, artificial intelligence (AI), cybersecurity, cloud computing and other technology-enabled business services.

(4) Penang – Semiconductor and Electronics Hub

Penang has developed a strong semiconductor and E&E ecosystem centred around the Bayan Lepas Free Industrial Zone (FIZ), which has been a key driver of the state's industrial growth since the 1970s. The presence of major multinational corporations, including Intel, AMD, Bosch, Infineon, Broadcom and Renesas, together with a strong network of local suppliers, has supported the development of deep capabilities in semiconductor manufacturing, electronics manufacturing services (EMS) and outsourced semiconductor assembly and testing (OSAT).

OSAT and EMS players remain important pillars of Penang's semiconductor industry, providing packaging, assembly and testing services for global semiconductor companies. While these activities have traditionally focused on high-volume manufacturing, technological advancements, particularly in advanced packaging, have increased their importance within the global semiconductor value chain.

Moving forward, Penang is aiming to move beyond traditional manufacturing activities into higher value-added segments such as IC design, advanced packaging, engineering services and semiconductor R&D. Initiatives such as Penang Silicon Design @5km+ are expected to strengthen local chip design capabilities and support the development of a more complete semiconductor ecosystem, backed by over 40 IC design companies, incubators, and academies. These efforts will complement Penang's existing strengths in semiconductor manufacturing and reinforce its position as a key player in the global E&E supply chain.

(5) Sarawak – Energy Transition and Green Industrial Hub

Sarawak is strengthening its position as Malaysia's renewable energy and green industrial hub by leveraging its abundant hydropower resources to support both domestic industrialisation and cross-border electricity exports. As part of its ambition to become the "Battery of ASEAN", the state aims to position itself as a regional supplier of clean electricity through the ASEAN Power Grid (APG). Through the Sarawak Corridor of Renewable Energy (SCORE), an economic development corridor covering central Sarawak, the state provides reliable and competitively priced renewable electricity to support energy-intensive manufacturing and attract higher value-added investments. Sarawak plans to expand its power generation capacity to 10GW by 2035 and has already begun exporting electricity to West Kalimantan and Sabah, while plans to supply power to Brunei and Singapore are progressing, further strengthening its role in regional energy integration.

Renewable energy is a key competitive advantage, accounting for more than 70% of Sarawak's electricity generation, primarily from the Bakun, Murum and Batang Ai hydroelectric plants, with the Baleh Hydroelectric Plant expected to further expand capacity upon completion. The reliable and competitively priced renewable electricity has attracted energy-intensive industries, including aluminium, silicon, ferroalloys, chemicals and other downstream resource-based industries, particularly within the Samalaju Industrial Park. Complementary investments in floating solar, ocean thermal energy conversion and carbon capture further support the state's transition towards a low-carbon economy.

Looking ahead, Sarawak is well-positioned to benefit from the global energy transition. Supported by the Sarawak Energy Transition Policy (SET-P), Hydrogen Economy Roadmap and Sustainability Blueprint 2030, the state aims to attract up to MYR700 billion in investments and generate MYR550 billion in cumulative GDP while creating around 80,000 jobs. Priority growth areas include renewable energy, hydrogen, carbon capture, utilisation and storage (CCUS), alternative energy technologies and low-carbon mobility. Together with its abundant renewable energy resources, these initiatives are expected to strengthen Sarawak's position as a regional renewable energy and green industrial hub.

Figure 12: Overview of Malaysia's Regional Growth Centres

Location	Economic Role	Core High-Value Activities	Key Policy Alignment
Selangor	Advanced manufacturing & innovation	Aerospace, pharmaceuticals, ICT, R&D, global business services	NIMP 2030, Industry4WRD, Malaysia Digital (MD)
Penang	Semiconductor & E&E hub	Semiconductors, IC design, medical devices	National Semiconductor Strategy (NSS), NIMP 2030
Johor	Investment & logistics hub	Electronics, data centres, logistics, digital infrastructure	Johor–Singapore Special Economic Zone (JS-SEZ), NIMP 2030, Malaysia Digital
Sarawak	Energy transition hub	Hydropower, hydrogen, aluminium, petrochemicals	National Energy Transition Roadmap (NETR), Sarawak Hydrogen Economy Roadmap
Kuala Lumpur	Knowledge-intensive services hub	Finance, fintech, ICT, GBS, corporate headquarters	Malaysia Digital (MD), NIMP 2030

Source: RHB Economics & Market Strategy

Drivers of Regional Competitiveness

The concentration of high-value economic activities across these regional growth centres reflects differences in infrastructure, industrial capabilities and policy support that have strengthened their comparative advantages over time. Three key factors underpin the competitiveness of these regions: **(1) connectivity and infrastructure, (2) industrial ecosystems and agglomeration economies, and (3) policy and institutional support.**

(1) Connectivity and Infrastructure

Efficient connectivity and infrastructure are fundamental to the development of high-value economic activities. Regions with well-developed transport networks, industrial facilities and digital infrastructure are better positioned to attract investment, lower logistics costs and integrate into regional and global value chains. These advantages support the growth of technology-intensive manufacturing while enabling the expansion of knowledge-intensive services.

Malaysia's leading regional economic ecosystems have each developed around distinct infrastructure strengths. Selangor benefits from its location within the Klang Valley, supported by Port Klang, Kuala Lumpur International Airport (KLIA) and an extensive expressway network, reinforcing its position as the country's principal hub for advanced manufacturing, logistics and business services. Penang's port, international airport and Bayan Lepas Industrial Zone have underpinned the development of its export-oriented semiconductor and electronics ecosystem by facilitating efficient trade and supply chain connectivity.

In Johor, the Port of Tanjung Pelepas (PTP), Johor Port (Pasir Gudang) and close economic linkages with Singapore have reinforced the state's position as a regional investment, logistics and digital infrastructure hub. As one of Malaysia's largest transhipment ports, PTP handles a significant share of the country's container traffic and provides efficient connectivity to regional and global markets. Together with Johor's strategic location and well-developed logistics infrastructure, these advantages have strengthened supply chain integration, facilitated trade and supported continued investment in advanced manufacturing, data centres and other high-value industries. In contrast, Sarawak's competitive advantage lies in its abundant renewable energy resources and dedicated industrial infrastructure, particularly the Samalaju Industrial Park, which has attracted energy-intensive industries such as aluminium, petrochemicals and emerging hydrogen-related investments. Meanwhile, Kuala Lumpur benefits from advanced digital infrastructure, a highly connected business environment and a concentration of financial and professional services, reinforcing its role as Malaysia's leading knowledge-intensive services centre.

Together, these infrastructure endowments have enabled each ecosystem to specialise in different segments of the high-value economy, while collectively strengthening Malaysia's competitiveness and integration into regional and global value chains.

(2) Industrial ecosystems & agglomeration

Well-established industrial ecosystems have been a key driver of the concentration of high-value economic activities across these regional economies. Firms benefit from locating within mature industrial clusters that provide access to specialised suppliers, skilled labour and complementary business services. These agglomeration effects strengthen supply chain linkages, facilitate knowledge and technology spillovers, improve productivity and lower transaction costs, making industrial clusters increasingly attractive to new investment. Industrial parks and special economic zones further reinforce these advantages by providing dedicated infrastructure, investment incentives and industry-specific facilities that encourage business expansion and clustering.

For example, Penang has developed a mature semiconductor ecosystem centred on the Bayan Lepas Free Industrial Zone, supported by multinational corporations, local suppliers and strong engineering capabilities. The state has progressively moved up the value chain into higher value-added activities such as IC design, advanced packaging and engineering services. Selangor has developed a diversified industrial ecosystem spanning aerospace, pharmaceuticals, machinery and equipment, electrical machinery, ICT and GBS. Its extensive network of industrial parks, together with research institutions and technology firms, has supported industrial diversification while strengthening linkages between manufacturing and knowledge-intensive services. Kuala Lumpur, meanwhile, has developed a knowledge-intensive services ecosystem centred on finance, digital technologies, corporate headquarters and professional services, generating significant knowledge spillovers across the wider economy.

In Johor, industrial development has been supported by large-scale industrial parks and economic zones, particularly Iskandar Malaysia and the Johor–Singapore Special Economic Zone (JS-SEZ). These initiatives have attracted investment in advanced manufacturing, logistics, digital infrastructure and data centres, strengthening the state's role as a regional production and investment hub. The JS-SEZ further enhances Johor's attractiveness by offering investment incentives, specialised industrial parks and closer cross-border economic integration with Singapore. Meanwhile, Sarawak has developed an ecosystem centred on renewable energy and downstream resource-based industries through the Sarawak

Corridor of Renewable Energy (SCORE) and the Samalaju Industrial Park. Access to competitively priced renewable energy has attracted energy-intensive industries such as aluminium, petrochemicals and emerging hydrogen-related investments, supporting the state's transition towards green industrialisation.

(3) Policy & Institutional Support

Government policies have played an important role in shaping Malaysia's regional economic landscape by strengthening industrial capabilities, improving infrastructure and attracting strategic investments. National initiatives, including the New Industrial Master Plan 2030 (NIMP 2030), the National Energy Transition Roadmap (NETR) and the National Semiconductor Strategy (NSS), provide the overarching framework for industrial upgrading, technological innovation and sustainable growth. Collectively, these master plans encourage firms to move into higher value-added manufacturing and knowledge-intensive services, strengthen Malaysia's integration into regional and global value chains, and reinforce the comparative advantages of regional economic ecosystems.

At the regional level, state governments complement national industrial strategies by aligning investment promotion and industrial development with their respective comparative advantages. Penang continues to strengthen its semiconductor ecosystem in line with the National Semiconductor Strategy, Johor is leveraging the Johor–Singapore Special Economic Zone (JS-SEZ) to attract investment in advanced manufacturing, logistics and digital infrastructure, while Sarawak is supporting the National Energy Transition Roadmap through investments in renewable energy and hydrogen. Meanwhile, Selangor and Kuala Lumpur continue to expand advanced manufacturing, innovation and knowledge-intensive services under broader national industrial and digitalisation initiatives.

Looking Ahead: Future Growth Opportunities

Malaysia's regional growth centres are well-positioned to support the next phase of the country's high-value economic development. As global supply chains continue to evolve and demand for technology-intensive manufacturing, digital services and green industries increases, each region is expected to build on its existing comparative advantages while expanding into higher value-added activities. Continued investment in infrastructure, innovation, human capital and industrial upgrading will be essential to sustain Malaysia's competitiveness and strengthen its integration into regional and global value chains.

Figure 13: Leveraging Existing Strengths for Future Growth

State	Current Strengths	Future Growth Potential	Growth Catalysts
Selangor	E&E, aerospace, pharmaceuticals, machinery, ICT, GBS	Artificial Intelligence (AI), semiconductor design, bio and medical technology, aerospace MRO, and advanced manufacturing	Builds on a diversified manufacturing base, an innovation ecosystem, data centres and a skilled workforce.
Penang	Semiconductors, E&E, OSAT, EMS	IC design, advanced packaging, semiconductor R&D, precision engineering	Moving from back-end assembly into higher-value semiconductor activities
Johor	Advanced manufacturing, logistics, data centres, chemicals	Data centres, AI infrastructure, digital infrastructure, cross-border services	JS-SEZ and a growing digital investment ecosystem.
Sarawak	Renewable energy, aluminium, chemicals	Green hydrogen, renewable energy exports, and critical minerals	Abundant hydropower and NETR support energy-intensive and green industries.
Kuala Lumpur	Finance, ICT, GBS, corporate HQs	Fintech, AI services, digital finance, professional services	Strong financial ecosystem, digital infrastructure and concentration of high-skilled talent.

Source: RHB Economics & Market Strategy

Selangor is well-positioned to expand into AI, aerospace, biotechnology and advanced manufacturing, supported by its diversified industrial ecosystem, innovation capabilities and skilled workforce.

Penang is expected to strengthen its semiconductor ecosystem through IC design, advanced packaging and semiconductor R&D. Supported by its well-established semiconductor ecosystem, deep supplier network and engineering talent, the state is well placed to capture higher value-added activities beyond traditional assembly and testing.

Kuala Lumpur, on the other hand, is expected to remain the country's leading hub for finance, digital technologies and other knowledge-intensive services. Supported by its concentration of financial institutions, multinational corporations, corporate headquarters and high-skilled talent, the city is well positioned to capture growing demand for digital and professional services across the region.

Johor is expected to benefit from the JS-SEZ, attracting greater investment in advanced manufacturing, logistics, digital infrastructure and technology-intensive industries. Together with its strategic location and strong logistics connectivity, the JS-SEZ is expected to reinforce Johor's role as a regional investment, production and logistics hub while creating new opportunities in technology-intensive industries.

Sarawak is well-positioned to capitalise on the global energy transition by leveraging its abundant renewable energy resources to develop green hydrogen, renewable energy exports, advanced materials and downstream green industries. Through initiatives such as SCORE and the ASEAN Power Grid (APG), the state is expected to strengthen its role as a regional renewable energy hub while attracting higher-quality investments in energy-intensive and low-carbon industries.

Sustaining the growth of these regional economies will require continued investment in enabling factors that support high-value activities. Beyond physical infrastructure, greater emphasis should be placed on talent development, R&D, innovation, digital infrastructure and stronger industry-academia collaboration. Continued implementation of the NIMP 2030, National Semiconductor Strategy (NSS), National Energy Transition Roadmap (NETR) and other regional initiatives will be important in strengthening Malaysia's industrial capabilities and supporting the transition towards a more innovation-driven economy.

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