KERJAYA PROSPEK

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Malaysia remains a magnet for data centres despite US' AI chip curbs

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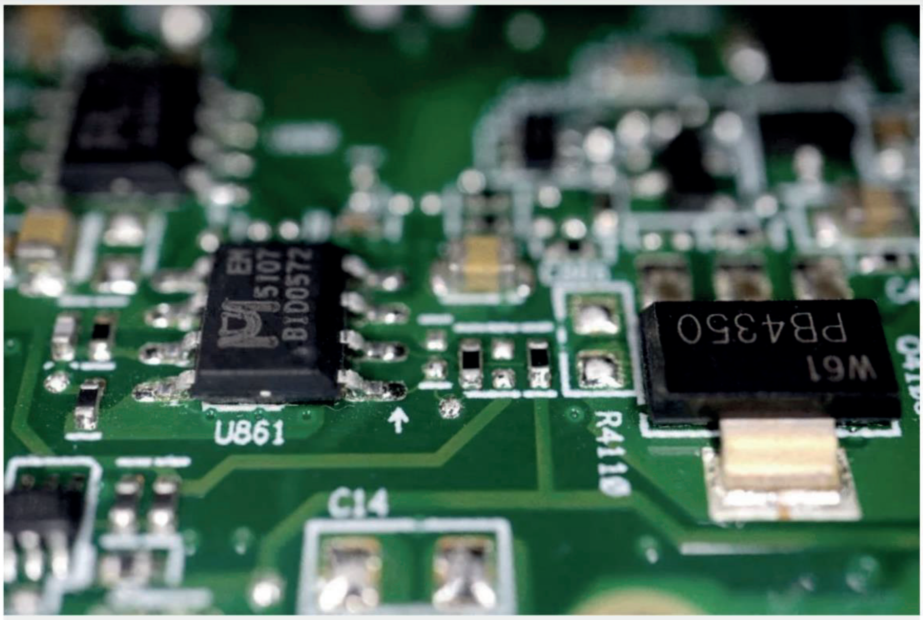

Malaysia continues to attract data centre investments due to its competitive advantages in land, labour, electricity costs and close proximity to Singapore. Reuters pic

KUALA LUMPUR: Malaysia continues to attract data centre investments due to its competitive advantages in land, labour, electricity costs and close proximity to Singapore.

RHB Research said as AI-enabled services are likely to expand over time, driven by improved affordability and efficiency, the demand for supporting infrastructure is expected to rise accordingly.

"Hence, DC investments may continue coming on the assumption that Jevons paradox materialises in light of potential AI democratisation," it said.

RHB Research said the outlook for data centre developers is expected to remain strong.

"With tech giants staying put on AI investments, we think Gamuda Bhd and Sunway Construction Bhd's data centre orderbook and tenderbook will not face substantial scale-downs, as most of their clients are multinational companies (MNC) from Tier-1 countries such as the US, the UK and the Netherlands that are eligible for the universal validated end-user status," it added.

RHB Research highlighted that the continued growth of AI adoption, driven by its democratisation, could benefit contractors involved in data centre construction, as more data centre providers may enter Malaysia, creating additional job opportunities for contractors.

"Notwithstanding the above, we acknowledge the risks stemming from the lingering uncertainty with President Donald Trump having a 120-day window to comment on the AI chip restrictions.

"Any major adverse impact may warrant a change in valuation multiples for key DC contractors later on," it said.

RHB Research said potential rerating catalysts include the possibility of US chipmakers and policymakers reversing or easing AI chip restrictions.

RHB Research reiterated its "Overweight" rating on the construction sector, naming Gamuda, Kerjaya Prospek Bhd and Sunway Construction as its top picks.

"However, we envisage DeepSeek's advancement could, in contrast, catalyse the DC industry as a whole, if its claim is proven to be true," it said.