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'OVERWEIGHT' CALL ON UTILITIES SECTOR

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Hong Leong Investment Bank Bhd says the demand for utilities remained robust in the first quarter of 2026, driven primarily by the data centre segment. NSTP FILE PIC

TNB, YTL POWER ARE TOP PICKS

'OVERWEIGHT' CALL ON UTILITIES SECTOR

Rising electricity demand expected from data centres

KUALA LUMPUR

THE utilities sector will continue to benefit from accelerating data centre developments.

Hong Leong Investment Bank Bhd (HLIB Research) said the demand for utilities remained robust in the first quarter of 2026, driven primarily by the data centre segment.

HLIB Research said data centre load utilisation would have more than doubled to 1,054 megawatts (MW) in March from 485MW last year.

"Peninsula electricity demand rose 7.0 per cent in the first quarter, gas consumption for power generation increased 17.8 per cent and solar generation grew 11.3 per cent.

"Tenaga Nasional Bhd (TNB) also recorded a new peak electricity demand of 21.5 gigawatts (GW) on April 23, 2026 compared with 21.0GW on May 28, 2025."

HLIB Research said rising electricity demand from data centres, alongside Malaysia's net-zero emission target by 2050, is expected to drive investments in new gas infrastructure to support growth and replace retiring coal-fired plants.

It said players with strong balance sheets and execution capabilities, including TNB, YTL Power International Bhd and Petronas Gas Bhd, are well-positioned to benefit from this.

HLIB Research maintained its "overweight" call on the utilities sector, with TNB and YTL Power as top picks.

"TNB is well-positioned to benefit from higher capital expenditure and new earnings streams from gas, renewable energy and battery energy storage system projects.

"YTL Power is expected to gain from its data centre expansion, large-scale solar developments and potential combined-cycle gas turbine projects," it added.