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Malaysia well positioned to seize Asean's second-wave AI compute advantage – Economist

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KUALA LUMPUR: Malaysia is well positioned to seize a first-mover advantage in Asean's second wave of hyperscale and artificial intelligence (AI) computing infrastructure, driven by its competitive costs, strong connectivity and established semiconductor ecosystem.

Juwai IQI global chief economist Shan Saeed said Asean's next infrastructure competition would increasingly be determined by compute capacity, with Malaysia emerging as an increasingly important destination as constraints on land, electricity and water redirect investments from Singapore.

"Malaysia offers competitively priced land, extensive fibre connectivity, scalable industrial corridors, semiconductor depth and proximity to Singapore.

"Johor is becoming a hyperscale cluster, while Greater Kuala Lumpur is emerging as an enterprise-computing and interconnection hub.

Johor is now firmly on the global hyperscale investment map," he told Bernama.

Shan said the investment commitment in Malaysia's data centre and cloud computing sector was substantial, with the Malaysian Investment Development Authority (MIDA) approving RM144.4 billion in investments between 2021 and mid-2025.

He added that by August 2025, Tenaga Nasional Bhd (TNB) had also secured electricity supply agreements for 47 projects representing a maximum

demand of 6.7 gigawatts (GW).

Shan said execution was also accelerating, citing AirTrunk's US\$3 billion investment in two Johor facilities with a combined capacity exceeding 280 megawatts (MW), which would bring its Malaysian portfolio to more than 700 MW and total investment to US\$6.8 billion.

He noted that Equinix has committed more than US\$190 million to its fourth Malaysian facility, while Nvidia-backed Firmus will supply OpenAI with capacity from two domestic data centres.

According to Shan, the strategic importance of data centres extended beyond hosting, with compute infrastructure increasingly becoming an instrument of national power.

"The managerial corollary – consistent with Harvard Business Review – is that infrastructure creates durable advantage only when reinforced by talent, data and organisational capability.

"Malaysia's approximately 13 per cent share of global semiconductor assembly, testing and packaging provides valuable industrial adjacency," he said.

However, he stressed that electricity had emerged as a decisive bottleneck in the global AI infrastructure boom, with Malaysia already facing growing pressure from the rapid expansion of data centres.

"Data centres reached a record 9.3 per cent of Peninsular Malaysia's electricity consumption during the second week of August 2026 and could

account for as much as 31 per cent by 2035.

"The MIT Energy Initiative notes that US data centres consumed more than four per cent of national electricity in 2023 and could approach nine per cent by 2030, a warning against treating power as an afterthought," he said.

Shan pointed out that Malaysia expects to add approximately nine gigawatts of gas-fired capacity by 2032, while TNB has committed RM43 billion to grid modernisation and emphasised that power, water, talent and regulatory speed must now advance together.

He added that Malaysia's second-wave advantage ultimately depends on converting investment momentum into reliable, sustainable and commercially productive compute capacity, as in the AI economy, capital follows capacity but strategic power determines where capacity stays.

— Bernama



Shan Saeed