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**KUALA LUMPUR:** The construction sector is largely insulated from the direct impact of Liberation Day, which brought tariffs to over 180 US trading partners at reciprocal rates ranging between 10% and 49% across Asean.

Nevertheless, Hong Leong Investment Bank (HLIB) Research said the far-reaching nature of the measures, if prolonged, would elevate potential second-order risks, which include a slowdown in trade-related jobs and a potential pullback in data centre contracts.

"The KL Construction Index has fallen by 4.3% since Liberation Day, exacerbating year-to-date performance.

"We think that elevated risk premiums and negative wealth effects necessitate adjustment to our valuations," said the research house.

"The on/off nature of tariffs could result in deferment of investment decisions affecting the flow of industrial jobs," it added in a note yesterday.

The research house said tender opportunities had been coming fast this year, unimpeded by artificial intelligence DeepSeek fears and global trade uncertainties.

"We anticipate that data centre contracts could start trickling in from the second quarter of 2025 (2Q25), with awards for larger contract sizes of about RM2bil per data centre possibly towards the second half, factoring in the evaluation period," it said.

"Encouragingly, several power infrastructure contracts have materialised this year.

"Tenaga Nasional Bhd's electricity supply continues to expand with agreements signed totalling 5.9GW, or 26% up from 4.7GW in the previous quarter," said the research house.

The overall situation appeared to be positive but HLIB Research noted that there could be a pullback in data centre capital expenditure. — Bernama