AUTHOR: S. BIRRUNTHA SECTION: BUSINESS TIMES AUDIENCE : 36,278 PAGE: 1,4
PRINTED SIZE: 1239.00cm² REGION: KL MARKET: Malaysia PHOTO: Full Color ASR: MYR 41,308
WORDS: 1343 ITEM ID: DP0122369237

29 OCT, 2026

MAKE US$50B PLAN COUNT'

New Straits Times, Malaysia

DIGITAL INFRASTRUCTURE

MAKE US$50B PLAN COUNT'

Economists say Malaysia must secure higher-paying jobs, technology transfer and stronger local businesses from the proposed AI and data centre investment

S. BIRRUNTHA
KUALA LUMPUR
bt@nst.com.my

SoftBank Group Corp, founded by Masayoshi Son, is discussing about participating in the AI and data centre investment plan. AFP PIC

MALAYSIA must ensure a proposed US$50 billion investment in AI and data centres delivers higher-paying jobs, technology transfer and stronger local businesses, economists say.

They warn against focusing solely on expanding digital infrastructure.

Prime Minister Datuk Seri Anwar Ibrahim said on Saturday that the investor had selected Kuching in Sarawak and Peninsular Malaysia as locations for the proposed investment.

Economists said the investment could accelerate Malaysia's digital economy, but its long-term benefits would depend on how much expertise, income and business activity it generated locally.

Nikkei Asia reported on Monday that SoftBank Group Corp, founded by Masayoshi Son, was discussing participation in the AI and data centre investment plan.

The report cited a call between Son and Anwar last week.

The report said SoftBank was expected to contribute only part of the proposed amount, with project financing and other investors covering the rest.

Associate Professor Aimi Zulhazmi Abdul Rashid, an economic analyst at Universiti Kuala Lumpur Business School, said the proposed investment could boost economic growth, create skilled jobs and expand opportunities for local suppliers.

He said Malaysia's data centre industry contributed RM14.1 billion to the economy in 2025, compared with RM900 million in 2021, highlighting the sector's rapid expansion.

However, he said the next challenge was to ensure that the investment generated wider economic benefits.

"Enforcing a 30 per cent local sourcing requirement would help generate a much higher domestic economic multiplier," he told Business Times.

Aimi said the investment could create skilled jobs in data centre management, engineering, cloud computing and AI, as well as jobs in supporting industries such as construction and cybersecurity.

Mohamad Hanif Mohd Saad

With unemployment at 2.9 per cent in August 2026, Aimi said Malaysia should focus on creating higher-quality jobs that allow workers to move into higher-value roles."

He said the government wanted investors to do more than provide facilities to house servers.

They should also support AI adoption, home-grown innovation and technology transfer.

He added that many data centres in Johor were essentially "concrete shells", providing the physical infrastructure but not necessarily the more advanced computing capabilities needed for AI development.

"Meaningful technology transfer would require giving local companies access to cloud infrastructure and training to use AI platforms, enabling them to develop higher-value digital capabilities," he said.

Aimi said local businesses could also secure contracts for cooling systems, electrical equipment, construction, engineering and professional services, provided they had the expertise and capacity to meet investors' needs.

On tax revenue, he said investment incentives could limit direct tax contributions from data centre operators.

Taxes paid by local suppliers and skilled workers, as well as payments for utilities, would therefore be important sources of domestic economic benefits.

He added that operators must pay the applicable electricity tariff and cover the cost of their full reserved capacity, even if they use less, to prevent subsidy leakage.

Minister in the Prime Minister's Department (Sabah and Sarawak Affairs) Datuk Mustapha Sakmud said on Tuesday the proposed investment in Sarawak's AI sector could spur economic growth in Borneo by creating highly skilled jobs and generating wider economic benefits.

"We welcome Sarawak's involvement in the AI ??sector, as it will not only boost the state's economy and create career opportunities for residents, but the benefits will also extend to Sabah."

He was speaking after appearing on The Nation, a Bernama TV programme, at Wisma Bernama on Tuesday.

Meanwhile, Universiti Teknologi Mara senior lecturer Dr Mohamad Idham Md Razak said the proposed investment could strengthen Malaysia's digital economy, attract high-value economic activities and create skilled jobs in AI, cloud computing, cybersecurity and engineering.

However, he said the actual economic benefits would depend on how much of the proposed investment materialised and how effectively local businesses participated.

"Malaysia should prioritise technology transfer, local procurement, competitive wages and sustainable tax revenue rather than focusing solely on the investment figure.

"The ultimate measure of success is how much value remains within the domestic economy," he said.

Bank Muamalat Malaysia Bhd chief economist Mohd Afzanizam Abdul Rashid said job quality and career progression should be key measures of the investment's success.

"I suppose the measure of success beyond GDP is how many high-quality, high-paying jobs are created for the locals," he said.

He said workers should also have opportunities to advance their careers and pursue further studies.

Afzanizam said Malaysia had several advantages in attracting technology investment, including its peaceful environment, educated workforce, multicultural society and widespread English proficiency.

In July, S&P Global Ratings said Malaysia could nearly triple its data centre capacity by 2030, supported by its proximity to Singapore, strong connectivity and growing power and water capacity.

However, the rating agency said rising costs and tighter approval requirements posed execution challenges as the country shifted from rapid expansion towards more sustainable growth.

Companies that have been involved in AI data centres in Malaysia could benefit from the investment, which is touted as the largest single investment in the region.

Construction companies such as Gamuda Bhd, Sunway Construction Group Bhd, and MN Holdings Bhd are among the names that could bid for the project.

Power companies Tenaga Nasional Bhd, YTL Power International Bhd and Malakoff Corp Bhd could also benefit from the project.

Renewable energy developers such as Solarvest Holdings Bhd, Samaiden Group Bhd, Pekat Group Bhd, Northern Solar Holdings Bhd and Cypark Resources Bhd could supply renewable energy under the Corporate Renewable Energy Supply Scheme (CRESS).

Water infrastructure companies such as Salcon Engineering Bhd, Aliran Ihsan Resources Bhd and Ranhill Utilities Bhd could also benefit from the investment.

DATA CENTRE GROWTH

Aimi said Malaysia's infrastructure was not yet ready to support US$50 billion in data centre investments without further upgrades.

He said 57 data centres were operating in Malaysia, with electricity supply requirements totalling 6,237 MW.

Another 60 projects at various stages of approval and development could require a further 11,172 MW.

"Data centres account for about 10 per cent of Malaysia's energy consumption, a figure expected to rise to one-third by 2035.

"BMI projects that data centres in Johor alone could consume 18 per cent of Peninsular Malaysia's electricity by 2031, up from six per cent in 2026," he said.

To manage demand, Aimi said the government required operators to commit to power purchase agreements of eight to 10 years before TNB expanded the grid.

He added that operators must also pay for transmission network upgrades so households do not bear the cost of electricity capacity reserved for data centres but left unused.

Water availability is another concern. A 50 MW data centre could require about 788 million litres of water a year.

Aimi said the government was encouraging the use of reclaimed water and closed-loop cooling systems to reduce consumption.

For example, ZData's RM8 billion data centre in Gelang Patah, which has GreenRE Platinum certification, uses 100 per cent reclaimed water and plans to utilise 630,000 megawatt-hours of solar energy from 2028.

He also noted that a Digital Infrastructure (Data Centre) Bill was being drafted for submission to the Cabinet in 2027 to align industry growth with power and water capacity and promote circular economy practices.

Meanwhile, Idham said Malaysia had the capacity to support digital infrastructure expansion, but readiness depended on each project's location and requirements.

He said AI data centres require substantial electricity, reliable water supplies and resilient grid infrastructure.

"Rapid expansion without proper planning could strain utilities and undermine environmental sustainability.

"Investment approvals should therefore be aligned with confirmed infrastructure capacity, renewable energy development, water-efficient technologies and clear sustainability targets," he said.

Provided for client's internal research purposes only. May not be further copied, distributed, sold or published in any form without the prior consent of the copyright owner.