

DeepSeek model a boon for data centres

PETALING JAYA: The success of China's DeepSeek artificial intelligence (AI) model is a boon for data centres (DCs), according to RHB Research.

In a report, the research house highlighted that while DeepSeek claimed to have trained its large language model for just US\$5.6mil – a fraction of the billion-dollar investments made by US tech giants – it did not necessarily translate into a reduced need for DCs.

Instead, it said if DeepSeek's claims were true, AI efficiency gains could drive greater AI adoption, thereby fuelling demand for more DC infrastructure.

"If DeepSeek's claims are true, AI training gains are likely to produce a 30% increase in efficiency but does not translate into a 30% reduction of chips or DCs. Instead, it means that the AI model gets 30% more power," RHB Research noted.

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

The research house pointed out that this aligned with an economic concept, the

Jevons paradox, which suggests that increased efficiency in resource use can lead to higher overall consumption.

"Assuming demand for AI is relatively elastic, falling prices due to efficiency improvements create higher AI adoption," it said, adding that high running costs have slowed AI adoption in big organisations.

Despite the emergence of DeepSeek, RHB Research pointed out that major hyperscalers such as Microsoft Corp and Meta Platforms Inc had reiterated their commitment to substantial AI-related investments.

"Microsoft and Meta defended their US\$80bil and US\$65bil AI-related investments for the current fiscal year, saying it is crucial to remain strategically competitive in AI over time," it added.

As the tech giants continued investing billions into AI, the need for robust infrastructure to support AI-driven services is expected to grow.

RHB Research said Malaysia remains an attractive location for DC investments due to its cost advantages in terms of land, labour,

electricity and proximity to Singapore.

"If AI adoption continues growing amid democratisation, it may also bode well for contractors aiming to build DCs, with more DC providers potentially coming to Malaysia," it said.

It maintained an "overweight" stance on the construction sector and has "buy" calls on all 10 stocks under its coverage.

"AI's turning point is likely positive for DC builders," it highlighted.

It named Gamuda Bhd, Kerjaya Prospek Group Bhd and Sunway Construction Group Bhd (SunCon) as its top picks due to their strong order books and exposure to multinational companies (MNCs).

"With tech giants staying put on AI investments, we think Gamuda and SunCon's DC order book and tender book will not face substantial scale-downs, as most of their clients are MNCs from tier-one countries like the United States, Britain, Netherlands that are eligible for the universal validated end-user status," RHB Research noted.

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