Box 1

DATA CENTRES IN LATIN AMERICA: INSTALLED CAPACITY, ANNOUNCED EXPANSION, POTENTIAL ADVANTAGES AND CONSTRAINTS[1]

Data centre investment announcements point to a significant expansion of digital infrastructure in Latin America, where existing capacity is concentrated in a few countries. Several economies are well placed to attract these projects, thanks to the high share of renewables in their electricity mix and government support measures. Implementation of these projects requires access to the electricity grid, a stable and competitively priced supply of electricity and adequate connectivity, and could foster new economic activities and boost productivity.

Global demand for digital infrastructure has risen in recent years as the rollout of artificial intelligence (AI) has increased the need for computing capacity. This has materialised in the construction and operation of large data centres around the world, including in Latin America, mainly by US and Chinese companies.[2]

The decision on whether and where to build a data centre depends primarily on three factors. The first is energy: access to the electricity grid, the time required to establish a connection, and the price and stability of the supply of electricity. In practice, grid access is often the most binding constraint on expansion.[3] The second is connectivity and proximity to demand, including proximity to submarine cables and, in Mexico's case, to the US market. The third is a regulatory framework that fosters shorter permit processing times and provides stability and incentives.[4]

Overview of current installed data centre capacity in the region

In 2025, Latin America had 1.3 gigawatts (GW) of installed data centre capacity, following a record annual increase of 20% (Table 1).[5] Brazil accounted for 44% of this figure, Mexico for 24% and Chile for 20%. Together with Colombia, these countries represented 90% of the regional total. One of Latin America's advantages is the lower cost of building these centres, at least in some countries. The average cost is $9 million per megawatt (MW), although this varies across countries.[6] This figure is lower than the average cost in Spain and the United States.[7] The average for the other major emerging market economies stands at $10.8 million per MW (with costs ranging from $9.2 million to $14.4 million).[8]

These average costs can be used to estimate the value of the installed capital stock. The estimates show that Latin America has a relatively small initial data centre capital stock, ranging from 0.1% of GDP in Colombia to 0.6% in Chile, although these figures are broadly comparable with Spain's 0.2%. By contrast, in terms of investment flows, Spain invested around €2.1 billion in 2025, virtually on a par with total investment by Latin America (just over $2 billion), despite having one-third of its capacity.

A further 0.7 GW of capacity is under construction in Latin America, although only 26% of it has already been committed.[9] Planned capacity totals 3.9 GW. By way of

1 In collaboration with Ángel Melguizo and Manuel Balmaseda (Argia GTE).

2 IDB. (2025). *Capturing the Data Center Opportunity in Latin America and the Caribbean* provides a detailed analysis and an analytical framework for harnessing the economic and technological potential of the data centre industry. Likewise, World Bank. (2026). *Latin America and the Caribbean Economic Update. Harnessing the AI Transition*, analyses the global spread of AI as a potential catalyst for productivity in Latin America.

3 In the region's major markets (São Paulo, Santiago, Rio de Janeiro and Bogotá), developers may face greater difficulties in finding available power and land, opening up opportunities for other markets (JLL. (2026). *Latin America Data Center Report Year-end 2025*). In Mexico, the industry itself identifies transmission, distribution and interconnection as the main bottlenecks, with Querétaro being the most visible case (L. Beltrán, R. Rueda, S. Isusi and J. M. Martin. (2026). *Data Centers and Energy in Mexico: Reliability, Critical Infrastructure, and Competitiveness in the Digital Economy*. Institute of the Americas). See also Standard and Poor's. (2026). "Latin America's data centers policy".

4 Other factors, such as access to water for cooling, the availability of skilled labour and the existence of a supplier ecosystem, also play a role. See S&P Global. (2026). "Latin America's Data Centers Policy". *Economics and Country Risk*.

5 *Latin America Data Center Report Year-end 2025* and DCD/DC Byte.

6 Turner & Townsend. *Data Centre Cost Index 2025*.

7 The average cost is $10 million in Spain and $10.8 million in the United States, with substantial geographical dispersion, within a range of $9.5 million to $13.3 million per MW.

8 The average for the other emerging market economies includes Singapore, Malaysia, Saudi Arabia, Indonesia, Nigeria, South Africa, Kenya, Poland and the United Arab Emirates. Of this group, only the last three have a cost clearly below the Latin American average. The estimated average cost for India and China stands at $6.6 million and $6.1 million, respectively.

9 *Latin America Data Center Report Year-end 2025*.

Box 1

DATA CENTRES IN LATIN AMERICA: INSTALLED CAPACITY, ANNOUNCED EXPANSION, POTENTIAL ADVANTAGES AND CONSTRAINTS (cont'd)

comparison, installed capacity in Spain could reach 2.5 GW by 2030, around six times its current level,[10] while grid connection applications for data centres are estimated to total 8.7 GW. However, only around one quarter of this requested capacity has been granted so far.

Future expansion

Analysis of announced greenfield investment flows can complement data on installed capacity, as these flows confirm the growing momentum of foreign direct investment in digital infrastructure.[11] Between January 2024 and July 2026, 97 digital infrastructure projects worth $63.5 billion were announced in Latin America and the Caribbean.[12] Of these, 59 involve data centres and hosting and processing services, and the remainder relate to rollouts of mobile and satellite communications infrastructure and landline networks (Table 2). Data centre projects account by far for the largest share of announced investment in digital infrastructure, at close to 90% of the total.

The home countries of the investors in the 59 projects are: the United States (28 data centres), China (11 data centres)

Table 1
Installed capacity and construction cost of data centres

	Installed capacity (GW) (2025)	Construction cost per MW ($m)	Capital stock ($bn)	Capital stock (% of GDP)
Brazil	0.57	10.8	6.1	0.3
Mexico	0.31	10.4	3.2	0.2
Chile	0.26	8.6	2.2	0.6
Colombia	0.05	7.5	0.4	0.1
Argentina	0.05	7.5	0.3	0.0
Spain	0.44	10.0	4.4	0.2
Singapore	1.40	14.5	20.3	3.6
Malaysia	0.52	11.4	5.9	1.3
Saudi Arabia	0.47	11.3	5.3	0.5
Indonesia	0.97	11.2	10.9	0.8
Nigeria	0.09	10.5	0.9	0.5
South Africa	0.30	10.2	3.1	0.7
Kenya	0.02	9.7	0.2	0.1
Poland	0.25	9.2	2.3	0.2
United Arab Emirates	0.50	9.2	4.6	0.8
Memorandum item:				
United States	50.00	10.8	538.9	1.7
Other emerging market economies (a)	4.52	10.8	48.8	0.6

SOURCES: JLL for installed capacity in Latin America; Spain DC and Pb7 Research for installed capacity in Spain; Turner & Townsend 2025 for construction costs, except for Argentina (*Argentina Data Center Market - Investment Analysis & Growth Opportunities 2026-31*); and national associations and governments for country-specific data.

a Sum of the installed capacity and average cost for Singapore, Malaysia, Saudi Arabia, Indonesia, Nigeria, South Africa, Kenya, Poland and the United Arab Emirates.

10 SpainDC. (2025). *Informe Anual 2025 sobre el Sector de los Centros de Datos en España.*

11 Balmaseda, Melguizo and Muñoz. (2026). *Towards a Green AI Valley in Latin America and the Caribbean? An Empirical Analysis of Greenfield Investment in Digital Infrastructure.* Argia GTE.

12 fDi Markets. This measures foreign investment announcements, rather than realised investment, and includes IT equipment.

Box 1

DATA CENTRES IN LATIN AMERICA: INSTALLED CAPACITY, ANNOUNCED EXPANSION, POTENTIAL ADVANTAGES AND CONSTRAINTS (cont'd)

and intra-Latin American projects (10 data centres). Although China accounts for 75% of total planned capital investment, a large proportion hinges entirely on a single project: the $40.6 billion investment in Pecém, Brazil, which is more than three times the capital stock in the region.[13] Excluding this investment, the United States accounts for almost 65% of capital and close to half of the projects, China comprises more than 15%, and intra-Latin American projects represent 8%. It is also worth noting that, in terms of the host country, Brazil receives 20 of the 59 computing projects and Mexico 13, while Chile, Colombia and Paraguay together account for 18 and the rest of the region for 8 (Table 2). These figures are consistent with the high concentration of installed capacity in Brazil and Mexico.

The region's advantages: electricity generation

Electricity consumption usually accounts for between 40% and 60% of data centres' operating expenses, which makes price a key factor when investing in their construction. Latin America's electricity prices are slightly higher than those of some of their emerging market competitors, particularly in Asia.[14] Nevertheless, the region's comparative advantage over other host countries lies in its electricity generation mix: it has a high share of renewables – except for in Argentina and Mexico – comparable only to that in Kenya (Chart 1). The marginal generation cost of these renewable energies is close to zero. They also comply with environmental commitments, are generally more socially acceptable and, above all, reduce exposure to fossil fuel price volatility, which is highly relevant in the current context of heightened geopolitical tensions.[15]

The region's advantages: government support

International evidence suggests that this type of investment generates tax revenue, mobilises

Table 2
Announced greenfield data centre and computing projects, by home and host country (2024-26)

	United States		China		Canada		Intra-Latin America and the Caribbean		United Kingdom		EU 27		Total	
Host country	No of projects	$m	No of projects	$m	No of projects	$m	No of projects	$m	No of projects	$m	No of projects	$m	No of projects	$m
Brazil	13	7,657	4	41,553	0	0	1	310	1	310	0	0	20	49,949
Mexico	8	1,927	3	1,048	0	0	0	0	2	698	0	0	13	3,673
Chile	2	263	1	133	0	0	3	246	1	133	0	0	7	776
Colombia	3	179	1	106	0	0	1	106	0	0	1	106	6	499
Paraguay	0	0	1	165	3	496	1	200	0	0	0	0	5	861
Argentina	1	252	0	0	0	0	1	252	0	0	0	0	2	503
Other countries	1	165	1	133	0	0	3	220	0	0	1	100	6	619
TOTAL	28	10,443	11	43,139	3	496	10	1,334	4	1,142	2	206	59	56,879
Memorandum item:														
Other investments in digital infrastructure	13	2,490		–	15	2,501	5	896	–	–	3	733	25	6,620

SOURCE: fDi Markets.

13 Estimated total investment amounts to $40.6 billion, $9.8 billion of which relates to the initial phase, which is currently under construction with 200 MW of computing capacity.

14 GlobalPetrolPrices, "Electricity prices for the industry: world map" (2026 Q1), and International Energy Agency, "Estimated final electricity price for large industrial customers in energy-intensive industries, 2019-2025" (March 2026). The average price of electricity in the region is $0.192 per kilowatt-hour, compared with $0.100 in India, Indonesia and Thailand. This seemingly small difference represents an additional annual cost of just under $90 million for a 100 MW data centre. In the United States, the average price would be around 3 US cents below that in Latin America, and in Spain around 6 US cents lower.

15 In countries with a higher share of generation of hydroelectric power, such as Brazil, Colombia and Peru, supply depends on hydrological conditions and is vulnerable to droughts, as illustrated by periods of drought in Brazil in 2021 and Colombia in 2024.

Box 1

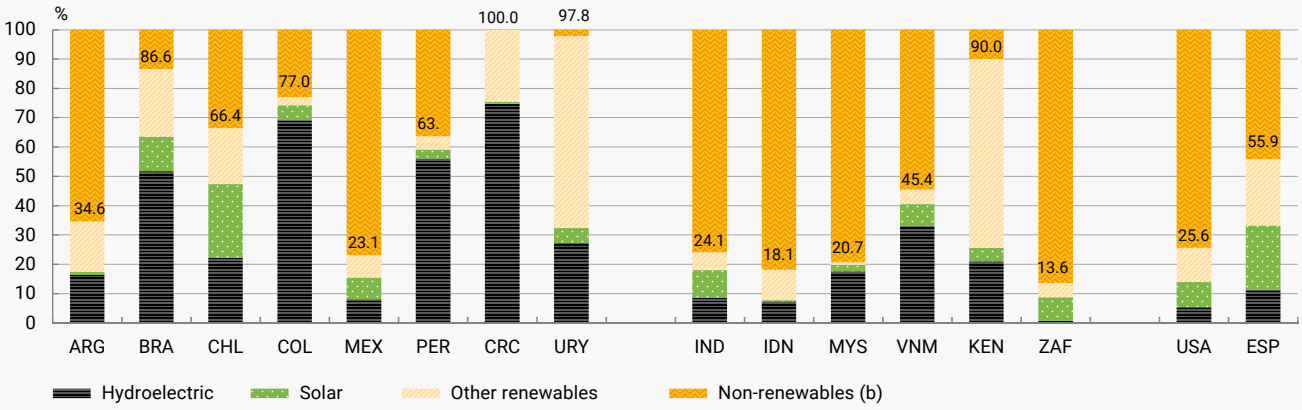
DATA CENTRES IN LATIN AMERICA: INSTALLED CAPACITY, ANNOUNCED EXPANSION, POTENTIAL ADVANTAGES AND CONSTRAINTS (cont'd)

complementary investment in telecommunications, energy and digital infrastructure, and shores up the competitiveness of host economies by facilitating the digital transformation of firms and general government. Similarly, data centres promote the consolidation of technology ecosystems by attracting digital firms, start-ups and specialised service providers, which can increase the productivity of the whole economy.[16] Conversely, this type of investment faces a series of challenges relating to energy consumption and pressure on electricity grids, the use of natural resources, the need for proper regulatory frameworks and, in this region's case, the high degree of informal employment. All these factors may restrict growth of this type of investment.

Due to its advantages, governments in the region have committed to attracting investment in data centres. Brazil's measures are the most notable: it has implemented an industrial policy based on tax incentives (accounting for up to 0.13% of GDP) along with support measures funded by public-sector banks for firms to adopt AI. By contrast, the objective of other countries, such as Chile and Argentina, is to leave the initiative to the private sector by clarifying the regulatory framework and reducing the administrative burden for this type of investment. Colombia and Mexico are in an intermediate position since they have applied government-sponsored incentives while leaving the initiative to the private sector. Specifically, Colombia has created some free-trade zones and Mexico has used a general-purpose instrument to harness the advantages of nearshoring (Table 3).[17] Moreover, so as to bolster and highlight the advantages of the electricity generation mix, the measures announced by Brazil specifically require beneficiaries to adhere to sustainability criteria and use renewable or low-emission energy sources in order to access funding. They must also meet certain water and electricity efficiency requirements. The Brazilian Artificial Intelligence Plan (PBIA) identifies providing Brazil with an AI infrastructure powered by renewable energy as a strategic objective, and the construction of data centres is explicitly linked to the availability of renewable energy. Similarly, Chile's plan highlights the availability of abundant renewable energy as one of the country's advantages for building data centres there.

In conclusion, Latin America has joined the recent global trend of building data centres. The current situation

Chart 1
Breakdown of electricity generation mix (2025)



SOURCE: *Our World in Data.*

16 Alvarez, Argente, Chow and Van Patten (2026) ("Data Centers and Local Economies in the Age of AI: A Shift-Share Approach". NBER Working Paper 35194), using data from US counties, show positive effects on employment, local income and salaries but also find house and electricity prices increase. The extensive IDB report (2022), drawing on local studies, includes several reference cases corroborating the impact of these data centres on activity and employment.

17 Compared with the strategies of other emerging market economies, Brazil's measures are similar to those of Korea and India, which have also announced tax incentives, energy discounts and investment subsidies.

Box 1

DATA CENTRES IN LATIN AMERICA: INSTALLED CAPACITY, ANNOUNCED EXPANSION, POTENTIAL ADVANTAGES AND CONSTRAINTS (cont'd)

shows that there is relatively limited installed capacity concentrated in a few countries, but the investment plans that have been announced indicate that it will increase substantially. Renewable electricity and the government support measures implemented by certain countries have clear advantages. Nevertheless, investment in data centres faces a series of challenges relating to the availability of sufficient electricity; access to water resources for which there are competing alternative uses, that could generate opposition from society; regulatory obstacles, that governments are seeking to reduce through the specific plans described above; and skilled labour shortages in certain specific segments.

Table 3
Main measures announced to incentivise AI investment in the region

	Main measures announced	Cost (% of GDP)	Potential investment linked to measures
Brazil	ReDATA: (tax incentives). PBIA (Brazil's 2024-28 Artificial Intelligence Plan). Fund for AI-intensive startups.	0.13 (a)	$92 billion (3.7% of PIB) from 2025 to 2031.
Mexico	National Artificial Intelligence Plan. 2025-30 Sector programme of the Digital Transformation and Telecommunications Agency. Plan Mexico: attracting investment in data centres; nearshoring.	N.A.	$7 billion in data centres during 2023-27 (0.4% of GDP).
Chile	2024-30 Data Centre National Plan: legal certainty, simplification of permits and harnessing of renewable energies.	N.A.	$4.2 billion (1.2% of GDP) and 28 new data centres in 2030.
Colombia	CONPES 4144 (2025) (National Artificial Intelligence Policy). Policy to attract data centres: tax benefits, simplification of regulations.	0.03	N.A.
Argentina	Super RIGI (Incentive regime for large investments): tax incentives and regulatory stability. Stargate Argentina.	N.A.	Up to $25 billion (4% of GDP). Projects announced by OpenAI.

SOURCES: IDB (2025), Standard and Poor's (2026) and national sources.

a The government estimated a further 0.03% of GDP in tax exemptions under ReDATA in 2027 and 2028.