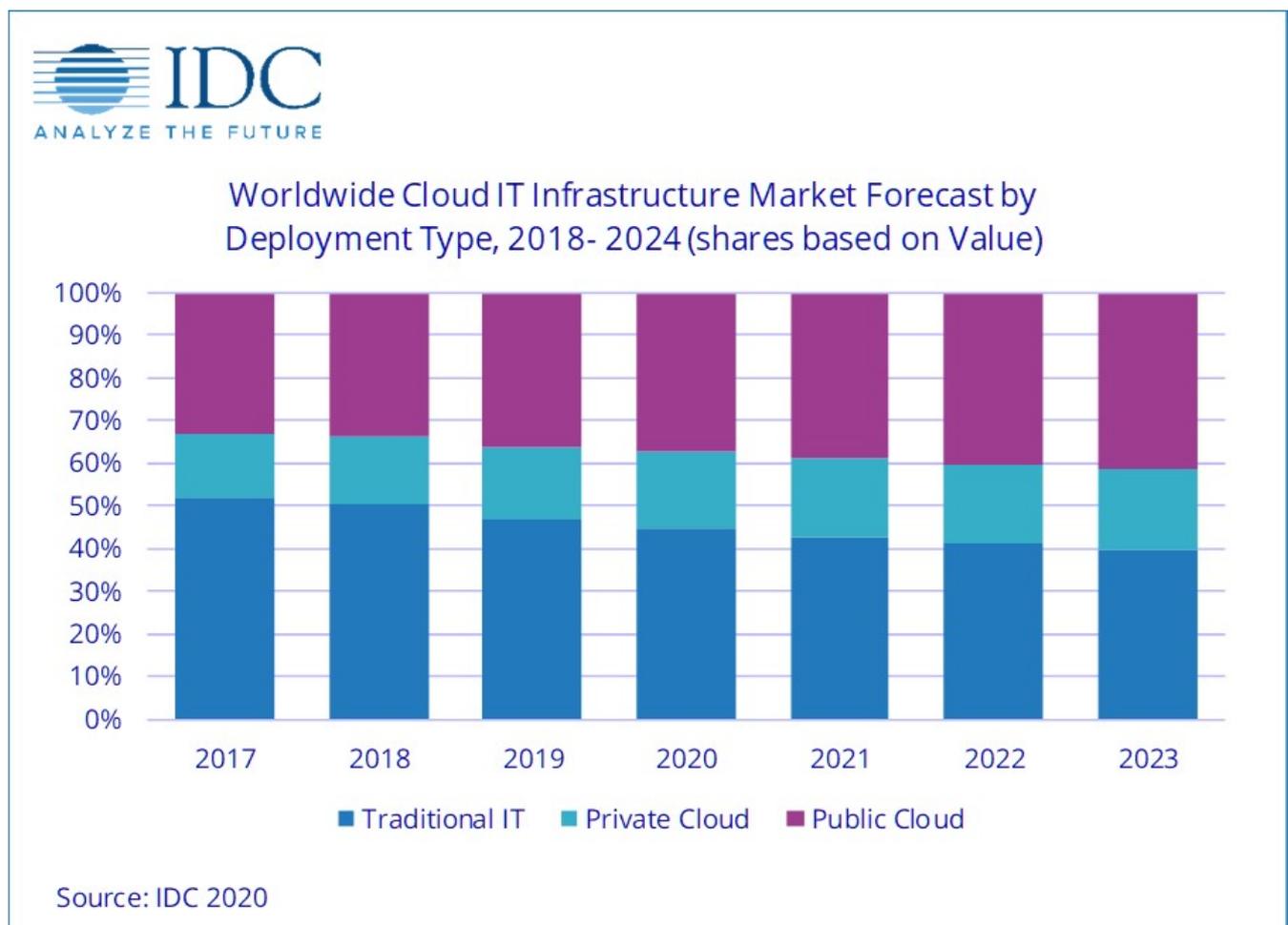


IDC: Cloud Infrastructure Gets Positive in 2019

Written by Alice Marshall
10 April 2020

According to IDC, total spending on infrastructure products (server, storage and ethernet switch) for cloud environments, including public and private cloud, is up by 12.4% Y-o-Y to \$19.4 billion in Q4 2019, marking recovery after two consecutive quarters of decline.



Thanks to the positive Q4 2019 results, full-year 2019 is in positive territory as annual spending totals \$66.8bn, a 2.1% increase over 2018. Meanwhile the overall infrastructure market continues to struggle after a strong 2018, since while spending is up by 3.3% in Q4 2018 to \$38.1bn, it is down by -1.1% to \$134.4bn for the full year. Non-cloud infrastructure sees a -4.6% Y-o-Y decline to \$187bn for Q4 2019 and is down by -4.1% to \$67.7bn for the year.

Driving the Q4 2019 cloud infrastructure market is public cloud. According to IDC, the segment is up by 14.5% Y-o-Y to \$13.3bn. In comparison, private cloud sees 8.2% Y-o-Y growth to

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\$6.1bn. Since the overall segment is generally trending up, it tends to be more volatile at the quarterly level, since a significant part of the public cloud segment consists of a few hyperscale service provider. As a result, a weaker middle part of the year lead to public cloud ending 2019 with an increase of just 0.1% to \$45.2bn, while private cloud is up by 6.6% to \$21.6bn.

As investments in cloud infrastructure continue to increase-- with some up and down swings in the quarterly intervals-- cloud infrastructure spending will soon surpass that on the non-cloud variety. Q4 2019 marks the 3rd consecutive quarter of cloud leadership, with the annual share reaching slightly below the midpoint (49.7%). IDC expects cloud infrastructure will stay above 50% in the near future, at both quarterly and annual levels, reaching 60.5% annually in 2024.

Across the three infrastructure domains, storage platforms see the fastest Q4 2019 growth at 15% Y-o-Y, with spending reaching \$6.6bn. Compute platforms are up by 14.5% Y-o-Y to \$10.8bn, while ethernet switches are down by -3.9% to \$2bn. For the full year, ethernet switches lead with 5% growth and spending reaching \$8.2bn. Storage platforms follow with 1.9% growth and spending of \$23.1bn, and compute platforms have 1.5% growth on spending of \$35.5bn.

Looking to the future-- and keeping the coronavirus pandemic in mind-- IDC predicts 2020 cloud infrastructure spending will reach \$69.2bn, a 3.6% increase over 2019. Non-cloud infrastructure spending is set to decline by -9.2% to \$61.4bn. Together, overall infrastructure spending should drop by -2.9% to \$130.6bn.

"While the beginning of 2020 was marked by supply chain issues that should be resolved before the end of the second quarter, the negative economic impact will hit enterprise customers' CAPEX spending," the analyst says. "As enterprise IT budgets tighten through the year, public cloud will see an increase in demand for services. This increase will come in part from the surge of work-from-home employees using online collaboration tools, but also from workload migration to public cloud as enterprises seek ways to save money for the current year. Once the coast is clear of coronavirus, IDC expects some of this new cloud service demand to remain sticky going forward."

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