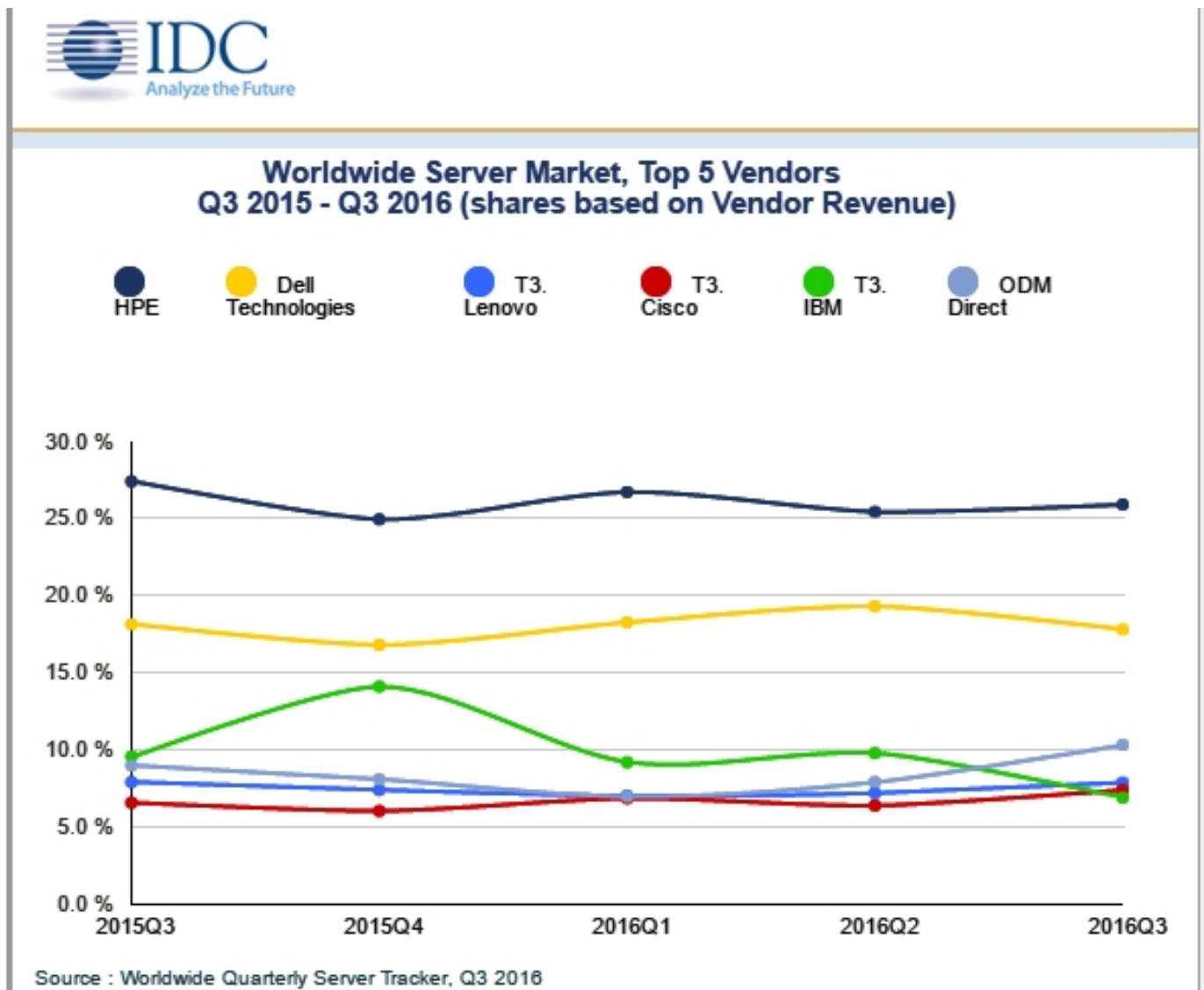**IDC: Server Demand Softens on Q3**

Written by Marco Attard
02 December 2016

According to IDC global Q3 2016 server revenues are down by -7% Y-o-Y to $12.5 billion in Q3 201-- the result of hyperscale datacentre slowdown and declining high-end server sales.

In addition, the robust enterprise refresh cycle seen in 2015 makes for difficult Y-o-Y comparisons, leading to shipment declines of 4.6% Y-o-Y to 2.38 million for the quarter. Volume and midrange system revenues declined by -4.9% and -4.1% Y-o-Y to $10.3bn and $1.1bn respectively, while high-end systems revenues dropped by -25.0% Y-o-Y to $1.1bn. The analyst predicts such high-end system revenue declines will continue on the long-term.

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"The server market suffered a difficult quarter as previously healthy volume server growth faltered, suggesting that weakness in enterprise demand was more pronounced than expected," IDC says. "While cloud datacenter buildouts by key hyperscalers helped in part to prop up the quarterly results, the overwhelming downward trend was difficult to overcome. It remains to be seen whether hyperscale can drive enough demand to keep the market positive going into the home stretch of 2016."

In the vendor rankings, HPE comes on top with 25.9% global server market share, even as it sees revenue declines of 12.1% Y-o-Y to $3.2bn. The May 2016 start of the Chinese H3C partnership impacted HPE Y-o-Y growth, since it leads to a portion of HPE-designed servers rebranded for the Chinese market not counting in HPE market data. Dell follows at 2nd place with 17.8% vendor revenue share for the quarter, while revenues declined by -8.7% Y-o-Y to $2.2bn.

The 3rd position is held by a 3-way tie between Lenovo, Cisco and IBM, with the companies holding respective revenue share of 7.9%, 7.4%, and 6.9%. Lenovo sees revenues decline by -7.4% to $986m, Cisco revenues are actually up by 4.8% to $928m and IBM revenues decreased 32.9% to $864m.

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