

IDC: Cloud Infrastructure Declines in Q3 2019

Written by Alice Marshall
23 January 2020

According to IDC, Q3 2019 cloud infrastructure (for both private and public clouds) revenues are down by -1.8% Y-o-Y as the overall IT infrastructure markets continues to experience weakening sales following a strong 2018.

The -1.8% Y-o-Y decline is "much softer" than in Q2 2019, as overall spending totals \$16.8 billion. As a result, the analyst has slightly increased its forecast for total 2019 cloud infrastructure spending to \$65.4bn, with flat performance compared to 2018.

Top Companies, Worldwide Cloud IT Infrastructure Vendor Revenue, Market Share, and Year-Over-Year Growth, Q3 2019 <i>(Revenues are in Millions)</i>					
Company	3Q19 Revenue (US\$M)	3Q19 Market Share	3Q18 Revenue (US\$M)	3Q18 Market Share	3Q19/3Q18 Revenue Growth
1. Dell Technologies	\$2,616	15.5%	\$2,684	15.7%	-2.6%
2. HPE/New H3C Group**	\$1,846	11.0%	\$1,708	10.0%	8.0%
3. Inspur/Inspur Power Systems* ***	\$1,215	7.2%	\$1,058	6.2%	14.8%
3. Cisco*	\$1,133	6.7%	\$1,079	6.3%	5.0%
5. Lenovo	\$723	4.3%	\$906	5.3%	-20.2%
ODM Direct	\$5,687	33.8%	\$6,087	35.5%	-6.6%
Others	\$3,607	21.4%	\$3,607	21.1%	0.0%
Total	\$16,827	100.0%	\$17,129	100.0%	-1.8%

IDC's Quarterly Cloud IT Infrastructure Tracker, Q3 2019

Notes:

* IDC declares a statistical tie in the worldwide cloud IT infrastructure market when there is a difference of one percent or less in the vendor revenue shares among two or more vendors.

** Due to the existing joint venture between HPE and the New H3C Group, IDC reports external market share on a global level for HPE as "HPE/New H3C Group" starting from Q2 2016 and going forward.

*** Due to the existing joint venture between IBM and Inspur, IDC will be reporting external market share on a global level for Inspur and Inspur Power Systems as "Inspur/Inspur Power Systems" starting from 3Q 2018.

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The decline in cloud infrastructure spending is the result of the public cloud segment dropping by -3.7% Y-o-Y to \$11.9bn, even if on a Q-o-Q basis spending is up by 24.4%. Since the overall segment is trending up, it tends to be more volatile quarterly as just a few hyperscale service providers represent a "significant" part of the public cloud segment.

The softness of the public cloud segment aligns with the IDC expectation of 2019 slowdown after a strong 2018. The analyst predicts overall spending will total \$44bn, a decline of -3.3% from 2018. Despite such softness, public cloud still accounts for most spending on cloud environments, but its share will decline as demand for private cloud infrastructure increases. In fact, the analyst says private cloud infrastructure spending shows more stable growth, with Q3 2019 revenues growing by 3.2% Y-o-Y to \$5bn. IDC expects overall 2019 growth to reach 7.2% to \$2.14bn.

Cloud infrastructure spending is also set to surpass the spending on non-cloud infrastructure. In Q3 2019 it crossed the 50% mark for the 2nd time since Q3 2018, as it accounts for 53.4% of vendor revenues. However, IDC predicts it will stay at 49.8% for full-year 2019, with 2020 becoming the tipping point with cloud infrastructure spending staying in the 50+% range.

Across the three infrastructure domains, ethernet switches is the only segment to deliver visible growth in 2019 at 11.2%. Spending on compute platforms is down by -3.1%, while spending on storage is up by just 0.8%. Compute remains the largest category at \$34.1bn.

On a geographic basis, W. Europe sees declines in Q3 2019 due to overall weakness, together with other region ssuch as the US and Latin America. However other regions see growth, including CEE (4.6% Y-o-Y) and MEA (18.1% Y-o-Y).

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