



Microsoft scales back infrastructure plans amid economic uncertainty, potential overinvestment

Article

The news: Microsoft is pulling back on leases and construction plans for [data centers](#), a sign that the company is securing more AI computing capacity than it has demand for.

- On Monday, it canceled a **\$1 billion plan to build three data centers in Ohio**.
- Microsoft also paused talks or stopped development at sites in Indonesia, the UK, Australia, Illinois, North Dakota, and Wisconsin, per Bloomberg.

Microsoft said in January that it was on target to spend \$80 billion on data centers this fiscal year, which ends in June, but that progress and future investments may slow following the recent tech market crash.

Why the withdrawal? Several economic, social, and demand-driven factors could be behind Microsoft's pullback, including material shortages and costs. Over six months, the company spent almost \$40 million on concrete alone for its Wisconsin project, per Bloomberg.

President **Donald Trump's** "Liberation Day" tariffs—which include a new 32% duty on imports from Indonesia—are fueling economic uncertainties and creating a bear market.

Microsoft has seen a 7.2% stock decline since the tariffs' announcement, a much smaller loss than **Apple's** 23% decrease. Despite being less reliant on international supplies, the tariffs' effects on foreign-made resources will make construction projects more risky.

Zooming out: Microsoft CEO **Satya Nadella** said that data center expansions can change depending on demand. "Will we be perfectly matched up every second? No," Nadella said, per CNBC.

Demand for Microsoft's cloud services could decline if **OpenAI** finds new support through Project Stargate. And since its cloud and infrastructure exclusivity deal with Microsoft ended, OpenAI is now able to work with other providers.

Why does it matter? If Microsoft doesn't expand infrastructure as planned, limited capacity during high demand could lead to slower service, outages and fewer regional options, any of which could push clients toward competitors like **Amazon Web Services (AWS)** or **Google Cloud**.

Our take: We're on the edge of a new economic era, and Microsoft may have determined that its projections for returns on AI investments aren't justifying current spending.

Canceling or delaying these data centers could disrupt Microsoft's ability to meet customer demand and fall behind in the AI race—**Google** and **Meta** have already snapped up some of Microsoft's abandoned leases.

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