

Consistent growth in cloud spending defies the down economy

Article

The news: Some \$62.3 billion was spent on cloud infrastructure services in the second quarter, up 33% year over year (YoY), [per](#) The Register.

Why this matters: The cloud computing and infrastructure-as-a-Service (IaaS) segments are seeing increased revenues, while the [boom-bust businesses](#) that thrived in the

pandemic experience a massive dip in profits. Growth brings innovation and opportunity, but unregulated cloud expansion could overwhelm fragile networks and hurt the environment.

- Q2 cloud spending rose \$6 billion from Q1, and was \$15 billion more than the year-ago quarter, per Canalys.
- Customers are spending more on online infrastructure services including **data analytics**, **machine learning**, **data center consolidation**, **application migration**, and **cloud-native dev work**.
- The pandemic accelerated cloud adoption, which has been a consistent area of growth.
- **Amazon Web Services**, **Microsoft Azure**, and **Google Cloud** accounted for 63% of Q2 cloud market revenues—collectively, the Big Three grew by **42% in Q2**.
- Growth in the cloud was sustained despite rising inflation and interest rates as well as general economic uncertainty.
- Amazon, Microsoft, and Google have announced hiring pauses and possible layoffs as a reaction to industrywide headwinds.

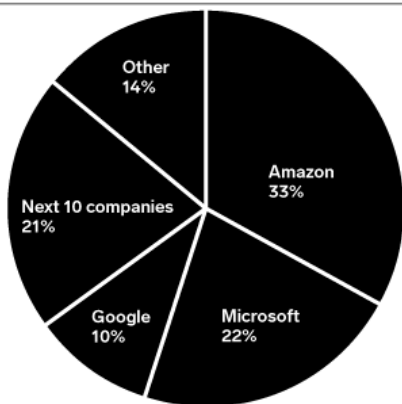
How the Big Three are faring:

- Market leader **Amazon AWS** grew by **33% YoY to \$19.3 billion** in calendar Q2, taking 31% of total cloud infrastructure spending in Q2.
- **Microsoft Azure** took 24% share of revenue in Q2; Canalys noted it had **40% YoY growth to \$14.95 billion**. Microsoft CEO **Satya Nadella** said the company won a "record number of \$100 million-plus and \$1 billion-plus deals."
- **Google Cloud**, which **lost** \$3.1 billion last year, resulting in **price hikes and layoffs** in March, grew **45% to \$4.98 billion** and is **expanding** its cloud regions in various countries including the US, Latin America, Italy, and the Middle East.
- Behind the top three, providers like **Alibaba**, **IBM**, and **Cisco** are smaller players by volume, but excel in highly specialized and customizable business applications and flexible hybrid cloud deployments that are preferred by **financial institutions** and **government agencies**.

What's the catch? "The race to invest in infrastructure to keep pace with demand will be intense and test the nerves of the companies' CFOs as both inflation and rising interest rates create cost headwinds," said **Canalys** vice president **Alex Smith**.

Continued spending will lead to expansion and diversification in the cloud computing and services industry. This could bring about overburdened networks, adverse environmental effects, and increased vulnerability to cyberattacks.

Cloud Services Market Share Worldwide, by Brand, Q1 2022
% of total



Note: Q1 2022 revenues=\$52.7 billion
Source: Synergy Research Group , May 2, 2022
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