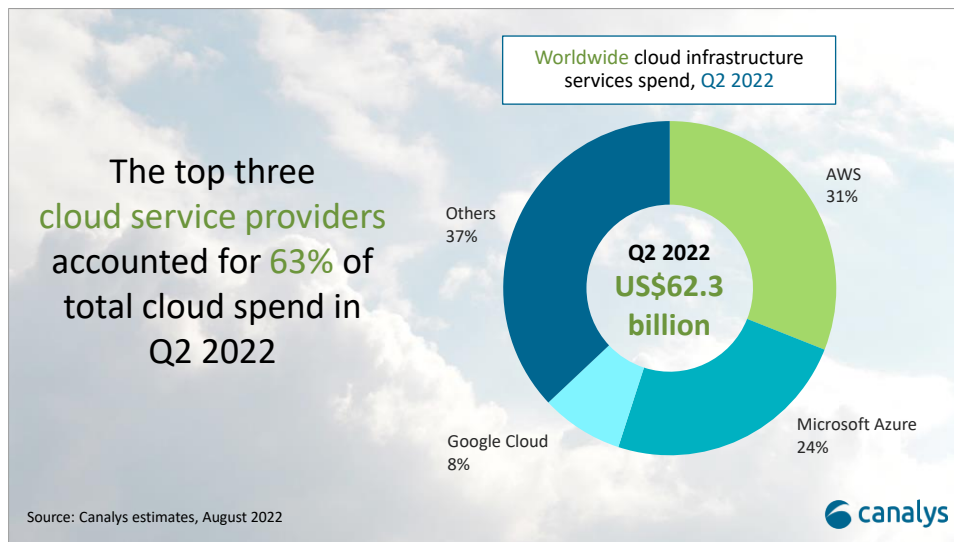


Global cloud services spend up 33% to hit US\$62.3 billion in Q2 2022

Shanghai (China), Bengaluru (India), Singapore, Reading (UK) and Portland (US) – Monday, 1 August 2022

Cloud infrastructure services continued to be in high demand in Q2 2022. Worldwide spending increased 33% year on year to US\$62.3 billion, driven by a range of factors, including demand for data analytics and machine learning, data center consolidation, application migration, cloud-native development and service delivery. The growing use of industry-specific cloud applications also contributed to the broader horizontal use cases seen across IT transformation. The latest Canalys data shows expenditure was over US\$6 billion more than in the previous quarter and US\$15 billion more than in Q2 2021. The top three vendors in Q2 2022, namely Amazon Web Services (AWS), Microsoft Azure and Google Cloud, together accounted for 63% of global spending in Q2 2022 and collectively grew 42%.



In a global economy rife with inflation, rising interest rates and recession, demand for cloud services remains strong. AWS accounted for 31% of total cloud infrastructure services spend in Q2 2022, making it the leading cloud service provider. It grew 33% on an annual basis. Azure was the

second largest cloud service provider in Q2, with a 24% market share after growing 40% annually. Google Cloud grew 45% in the latest quarter and accounted for an 8% market share.

The hyperscale battle between leader AWS and challenger Microsoft Azure continues to intensify, with Azure closing the gap on its rival. Fueling this growth, Microsoft pointed to a record number of larger multi-year deals in both the US\$100 million-plus and US\$1 billion-plus segments. A diverse go-to-market ecosystem, combined with a broad portfolio and wide range of software partnerships is enabling Microsoft to stay hot on the heels of AWS.

“Cloud remains the strong growth segment in tech,” said Canalys VP Alex Smith. “While opportunities abound for providers large and small, the interesting battle remains right at the top between AWS and Microsoft. 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.”

Both AWS and Microsoft are continuing to roll out infrastructure. AWS has plans to launch 24 availability zones across eight regions, while Microsoft plans to launch 10 new regions over the next year. In both cases, the providers are increasing investment outside of the US as they look to capture global demand and ensure they can provide low-latency and high data sovereignty solutions.

“Microsoft announced it would extend the depreciable useful life of its server and network equipment from four to six years, citing efficiency improvements in how it is using technology,” said Smith. “This will improve operating income and suggests that Microsoft will sweat its assets more, which helps investment cycles as the scale of its infrastructure continues to soar. The question will be whether customers feel any negative impact in terms of user experience in the future, as some services will inevitably run on legacy equipment.”

Beyond the capacity investments, software capabilities and partnerships will be vital to meet customers’ cloud demands, especially when considering the compute needs of highly specialized services across different verticals.

“Most companies have gone beyond the initial step of moving a portion of their workloads to the cloud and are looking at migrating key services,” said Canalys Research Analyst Yi Zhang. “The top cloud vendors are accelerating their partnerships with a variety of software companies to demonstrate a differentiated value proposition. Recently, Microsoft pointed to expanded services to migrate more Oracle workloads to Azure, which in turn are connected to databases running in Oracle Cloud.”

[Canalys defines cloud infrastructure services](#) as those that provide infrastructure-as-a-service and platform-as-a-service, either on dedicated hosted private infrastructure or shared public infrastructure. This excludes software-as-a-service expenditure directly, but includes revenue generated from the infrastructure services being consumed to host and operate them.

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