

Cloud infrastructure services grow 47% in Q2 2017, with AI to fuel next wave of growth

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The global cloud infrastructure services market maintained strong momentum in Q2 2017, growing 47% year on year to reach US\$14 billion. Amazon Web Services (AWS) remained the dominant cloud services provider, growing 42% on an annual basis and accounting for more than 30% of total spend. But its growth rate was lower than those of its main rivals, Microsoft



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- via @Canalys <https://x>

(97% growth) and Google (92% growth), but higher than fourth-placed IBM (23% growth). Overall, the top four cloud services providers represented 55% of the cloud infrastructure services market, which includes IaaS and PaaS.

Growth was driven by demand for primary cloud infrastructure services, such as on-demand

computing and storage, across all customer segments and industries. But future growth will be fueled by customers using the artificial intelligence (AI) platforms cloud service providers are building to develop new applications, processes, services and user experiences.

AWS has an established AI service, focusing on understanding language, speech recognition, visual search, text-to-speech conversion and machine learning technologies. “It continues to strengthen its AI capabilities, with increased accuracy in speech recognition, as well as offering Volta GPU-powered virtual instances in its EC2 to expand its deep-learning capabilities,” said Canalys Research Analyst Daniel Liu. “Microsoft is focusing more on machine reading, which will enable automatic understanding of text. It acquired Maluuba, a deep-learning startup, in January this year as it sees AI as a strategic part of the company’s future growth.”

Meanwhile, Google announced its own dedicated AI chip, called the Cloud TPU, which is the latest version of Google’s custom-built processor that it uses to run its own AI services. Google does not plan to sell the chip directly to others but will offer exclusive access through a dedicated cloud service, which it will launch toward the end of the year. Businesses and developers can build, test and operate software through this cloud service. IBM is placing much emphasis on Watson to

drive future growth, with APIs such as conversation, discovery and visual recognition. It is being used for services such as virtual agents in contact centers and security intelligence.

“AI is still in an early stage of development and not delivering significant revenue yet, but it offers tremendous potential, with demand for AI-related workloads expected to fuel cloud services growth,” said Liu. “Leading chipset providers also gained traction, with Nvidia’s datacenter GPU business growing nearly 300%. AMD’s partnerships with Microsoft, Google and Baidu to provide graphics processors for their AI businesses signifies cloud service providers’ growing investment in hyper-scale hardware with AI-focused capabilities. This investment will continue to drive customer spend on cloud services.”

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