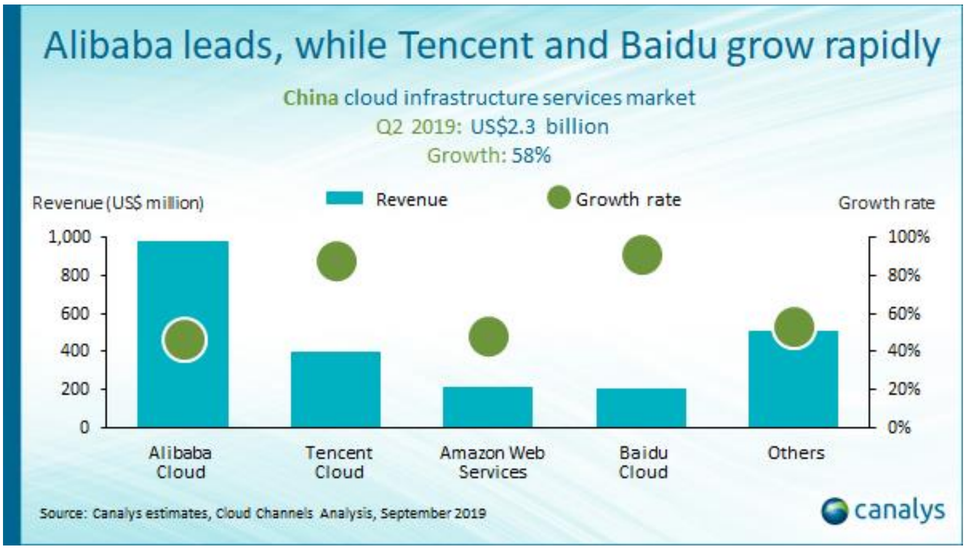
Canalys: China's cloud market up 58% to US$2.3 billion in Q2 as local competition heats up

Shanghai (China), Bengaluru (India), Singapore, Reading (UK) and Portland (US) – Wednesday, 11 September 2019

The cloud infrastructure services market in China grew rapidly in Q2 2019 according to the latest Canalys research, with total spending up 58% year on year at US$2.3 billion. Alibaba Cloud remained the dominant cloud service provider, accounting for 43% of the market, more than the next four combined. But its growth, at 47%, was lower than its main China-based competitors. Tencent Cloud was the second largest cloud service provider, growing 88%. Amazon Web Services (AWS) was third, up 48%. Baidu Cloud retained its fourth-place position after gaining strong traction and growing 92%, which helped it close the gap on the top three.



"Outlay on cloud infrastructure services continues to increase among Chinese organizations, particularly startups, government agencies and enterprises, which have become more ambitious in growing their digital capabilities to capture opportunities in the country's massive Internet and mobile-based consumer market," said Daniel Liu, Canalys Research Analyst. "Competition in China has intensified, mainly due to local cloud service providers, including Alibaba Cloud, Tencent Cloud and Baidu Cloud. Boosting revenue from cloud services is a top strategic priority for these companies amid growing domestic demands."

Competition is becoming more intense, with the big four and smaller local providers aggressively investing in their market presence. Alibaba Cloud is the clear leader in China, though the other local cloud service providers are gaining share. Tencent Cloud's digital payments, egovernment and advertising initiatives have helped it diversify from its long-standing specialization in the gaming and video-streaming verticals. Baidu Cloud has invested in its cloud business, including it in the company's focus on developing artificial intelligence platforms, where it has found opportunities in the local telecommunications, manufacturing and autonomous vehicle sectors. This all offers significant potential growth. AWS has also increased its focus on China, appointing a new leader for its Chinese operations, with the aim of strengthening sales and marketing, as well as relationships with channel partners and government departments.

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