

China (mainland) cloud infrastructure services

Vendor performance index Q3 2022

Growth in Chinese cloud spending declines in Q3



China (mainland) cloud infrastructure services market summary

Q3 2022

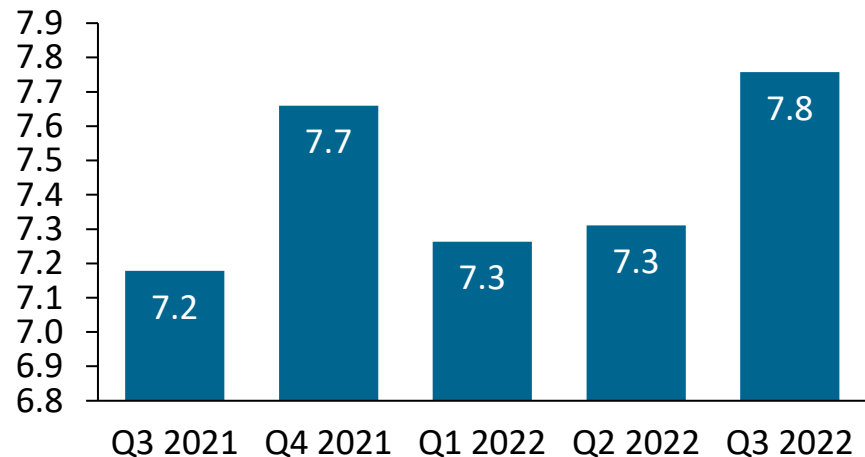
US\$7.8 billion







8.1%

Market size

US\$ billion



Leading providers

Rank	Q3 2022	Share
#1	 Alibaba Cloud	36.5%
#2	 HUAWEI	18.9%
#3	 Tencent Cloud	16.0%
#4	 BAIDU AI CLOUD	8.5%

Competitive landscape and client structure changing



China (mainland) cloud infrastructure services market summary

Q3 2022 US\$7.8 billion  8.1%

Market trends

- Cloud infrastructure services spend in China (mainland) **grew 8.1%** in Q3 2022, falling below 10% for the first time. China's expenditure accounts for 12% of overall global cloud spend.
- Overall growth slowed significantly due to the recession in China. Cloud consumption from Internet-related customers is contracting. Cloud vendors with Internet-rooted businesses, such as Alibaba Cloud and Tencent Cloud, are losing market share as they are highly reliant on those Internet-related customers.
- Carriers such as China Telecom are making investments and gaining share in the cloud services market by taking advantage of infrastructure costs and breadth of coverage. But they still lag behind the top vendors in terms of PaaS and partner ecosystems.
- The top cloud vendors grew revenue from the automotive sector this quarter. Consumption of cloud resources for autonomous driving and smart cockpits will be a potential opportunity.

Leading providers

- **Alibaba Cloud** still leads the market with a 36.5% share after growing 4% year on year. Growth was mainly driven by renewal execution, but cloud consumption and deal sizes were lower than expected, especially for customers from the Internet and retail industries.
- **Huawei Cloud** was second with 18.9% after growing 20.2%. The revenue from SMBs and partners gained significant growth in this quarter, bringing it a faster growth rate than the overall market.
- **Tencent Cloud** held 16.0% of the market. It remained committed to scaling back loss-making projects and focusing on profitability. But it is seeking opportunities through its video-related solutions and database products.
- **Baidu AI Cloud** accounted for 8.5% of spend, growing 12.2% year on year. Benefiting from its cross-industry customer structure, it does not rely on customers from a specific industry. It has grown faster than the overall market for three quarters.

Alibaba cloud is losing share in China

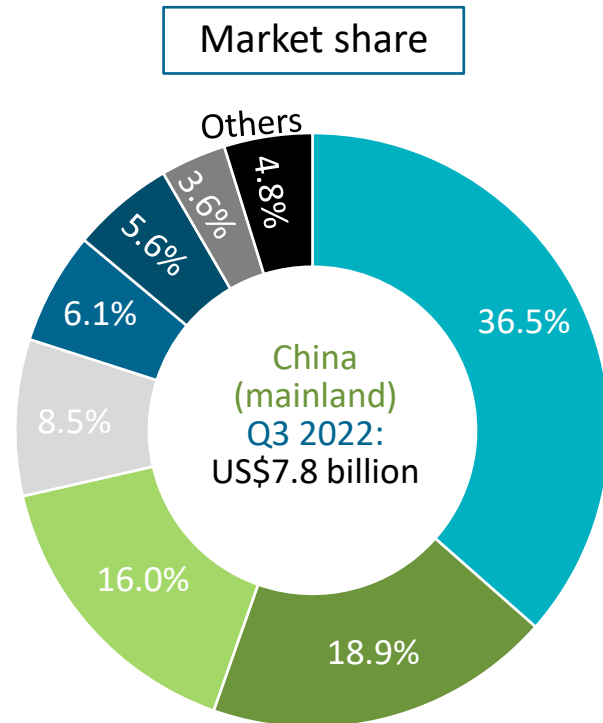
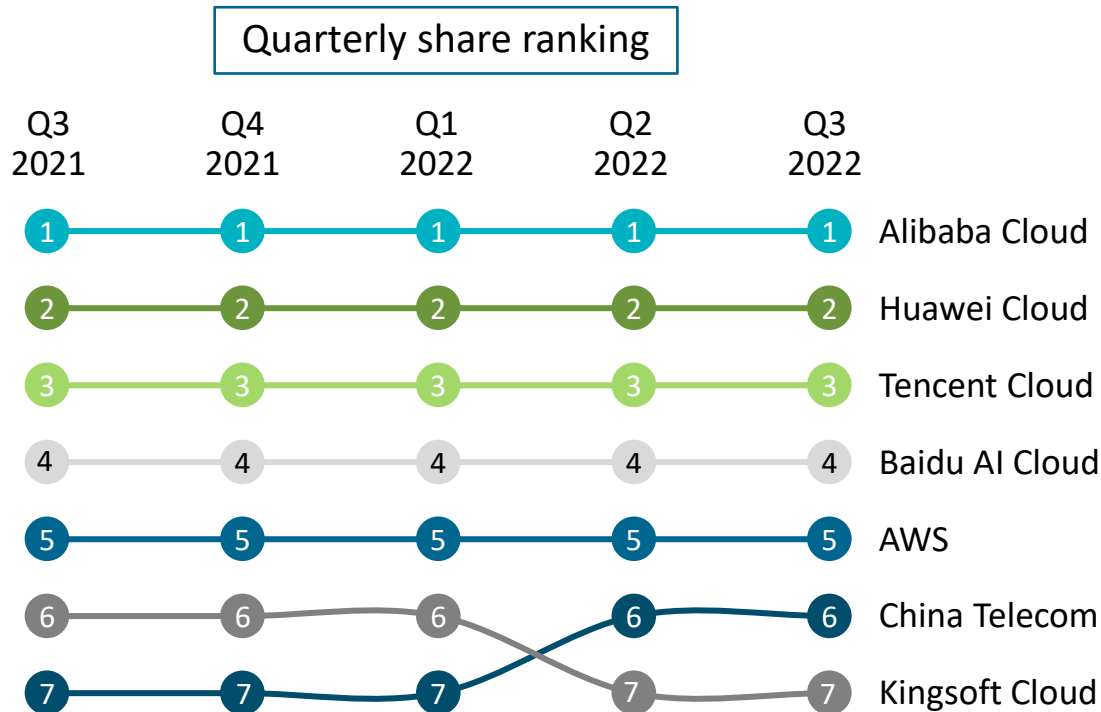


China (mainland) cloud infrastructure services market summary

Q3 2022 US\$7.8 billion  8.1%

Leading cloud service providers (CSPs)	Market share Q3 2021	Market share Q3 2022	Year-on-year revenue growth
Alibaba Cloud	38.3%	36.5%	3.0%
Huawei Cloud	17.0%	18.9%	20.2%
Tencent Cloud	16.6%	16.0%	4.4%
Baidu AI Cloud	8.2%	8.5%	12.2%
Amazon Web Services	6.1%	6.1%	7.7%
China Telecom	4.5%	5.6%	35.1%
Kingsoft Cloud	4.6%	3.6%	-16.7%
Microsoft Azure	1.9%	1.9%	10.1%
Others	2.8%	2.9%	10.3%
All vendors	100%	100%	8.1%

China Telecom overtook Kingsoft Cloud in Q3

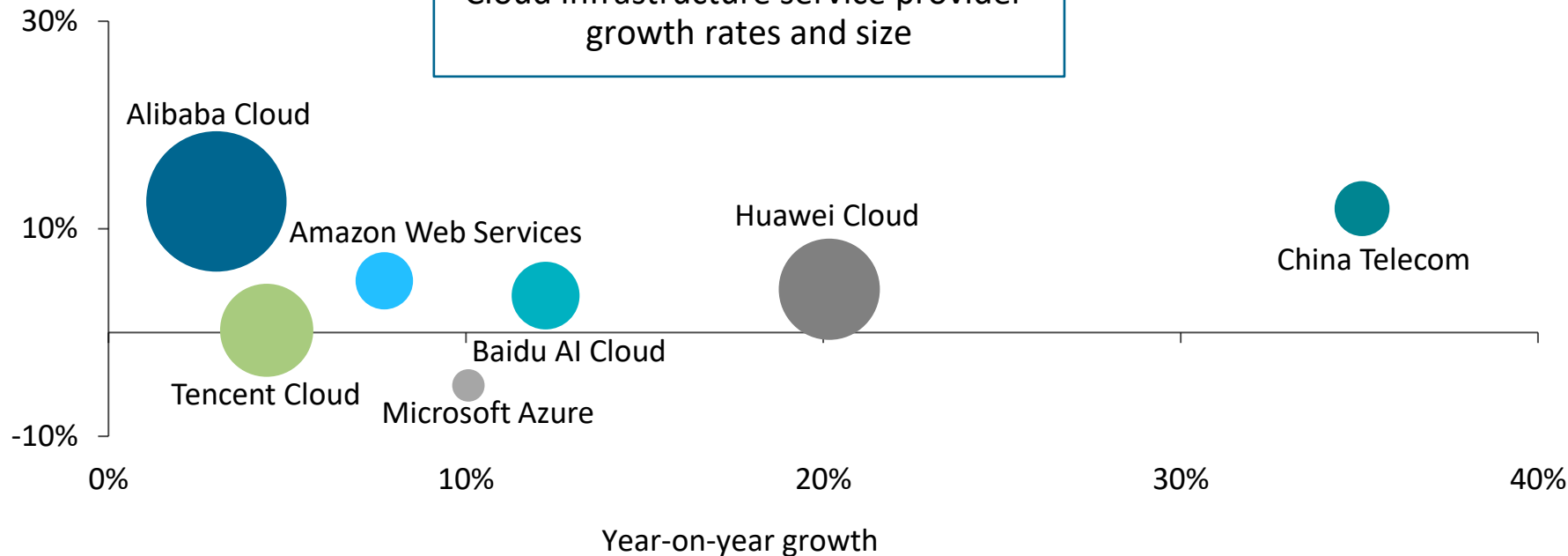


China Telecom continues high growth of over 30%

China (mainland) cloud infrastructure services market Q3 2022

Quarter-on-quarter growth

Cloud infrastructure service provider
growth rates and size



Source: Canalys estimates, Cloud Channels Analysis, December 2022

Declines from the Internet and retail industries

Vendor summary

Q3 2022

US\$2,831 million



Alibaba Cloud

Growth:

3.0%

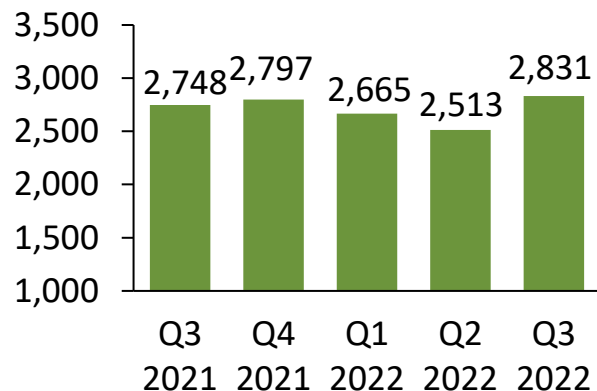
Share:

36.5%

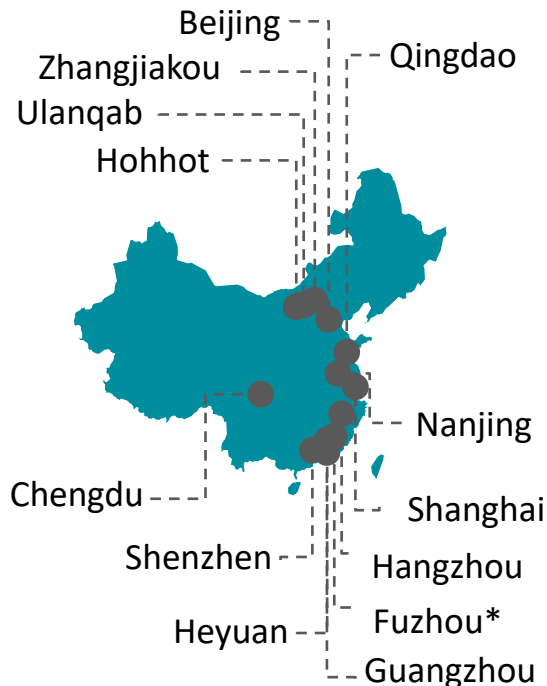
Rank:

1

US\$ million



Infrastructure locations



Initiatives and developments

- Alibaba Cloud announced a new data center in Fuzhou, China in July.
- Significant declines came from the Internet and retail industries, which were hit by the economic recession.
- The share of Internet customers decreased from 47% in Q2 to 42% in Q3. Revenue from the Internet industry contracted by around 18% compared with Q3 2021.
- Revenue from the retail industry grew at an annual rate of 25%, down from around 35% in previous quarters.
- It signed with State Grid Corporation and Xpeng, bringing strong growth momentum from automotive and electricity power.

*New locations announced

Source: Canals estimates, Cloud Channels Analysis, December 2022

High growth from SMB customers and partners

Vendor summary

Q3 2022

US\$1,466 million

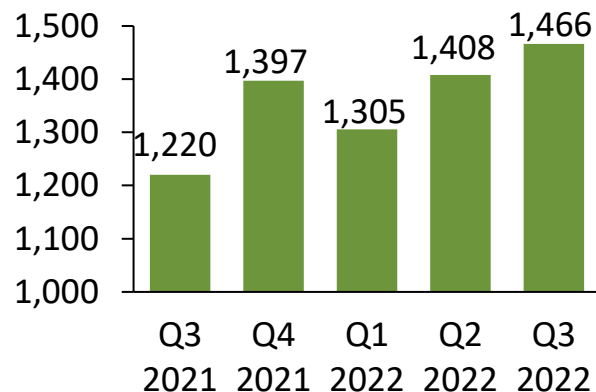


Growth:
20.2%

Share:
18.9%

Rank:
2

US\$ million



Infrastructure locations



Initiatives and developments

- Huawei Cloud opened new data centers in Indonesia and Ireland in September and committed to a €150 million (around US\$145 million) investment in Ireland.
- Huawei Cloud launched some small-scale general solutions, targeting SMB customers with low IT budgets and cloud consumption. The model is scalable, with revenue from SMBs growing over 70% year on year.
- Revenue through channel partners grew by 55% annually in the quarter, benefiting from the new partner program announced in April.
- It won the Changsha government's cloud project for more than CNY287 million (US\$42 million) and became its sole service provider.

Tencent Cloud explores opportunities in video cloud

Vendor summary

Q3 2022

US\$1,245 million



Tencent
Cloud

Growth:

4.4%

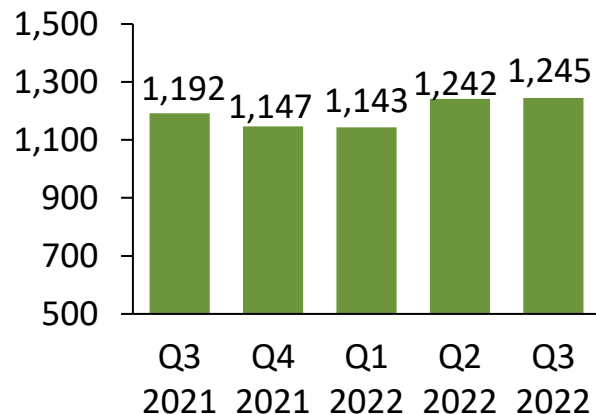
Share:

16.0%

Rank:

3

US\$ million



Infrastructure locations



Initiatives and developments

- Revenue for the quarter was led by the Internet, financial and education industries. Its video-cloud solutions and database products gave it an edge.
- Tencent Cloud announced its cooperation with Strange Universe Technology, a Singapore AR firm, merging its video-related service into Strange Universe's platform to explore virtual space for enterprise.
- It entered into a strategic partnership with Unity China to explore more use scenarios for video-related solutions.
- It announced a joint venture with China Unicom, engaging CDN business and edge cloud business.

Merging of cloud and AI has shown some success

Vendor summary

Q3 2022



BAIDU AI CLOUD

US\$660 million

Growth:

12.2%

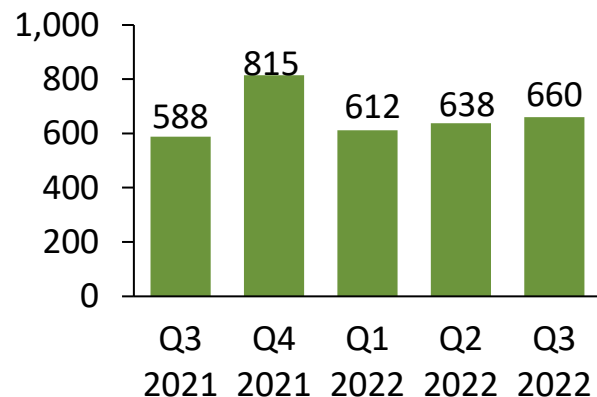
Share:

8.5%

Rank:

4

US\$ million



Infrastructure locations



Initiatives and developments

- Baidu AI cloud announced a new data center in Yancheng, China in September, with 200P in computing power size.
- Revenue growth during the quarter was strongly driven by four verticals: manufacturing, energy, transportation and government.
- It won a deal with Li Auto, a Chinese start-up electric automaker, this quarter. So far, It has served five of the top 10 electric vehicle companies in China.
- It launched a smart mobility solution that has been adopted by 63 cities, a significant increase in coverage, compared with just 24 cities a year ago.

*New locations announced

Source: Canalys estimates, Cloud Channels Analysis, December 2022

China (mainland) cloud infrastructure services

Vendor performance index Q3 2022



Insight. Innovation. Impact.

The written content of this document represents our interpretation and analysis of information generally available to the public or released by responsible individuals in the subject companies but is not guaranteed as to accuracy or completeness. It does not contain information provided to us in confidence by the industry. Market data contained in this document represents Canalys' best estimates based on the information available to it at the time of publication.

Canalys has a liberal policy with regard to the re-use of information that it provides to its clients, whether within reports, databases, presentations, emails or any other format. A client may circulate Canalys information to colleagues within his or her organization worldwide, including wholly-owned subsidiaries, but not to a third party. For the avoidance of doubt, sharing of information is not permitted with organizations that are associated with the client by a joint venture, investment or common shareholding. If you wish to share information with the press or use any information in a public forum then you must receive prior explicit written approval from Canalys.

