

Worldwide Server and Enterprise Storage Systems Markets Will Decline in 2020, Impacted by the COVID-19 Pandemic, According to IDC

FRAMINGHAM, Mass., March 27, 2020 – End user spending on IT infrastructure (server and enterprise storage systems) will decline in 2020 as a result of the widespread coronavirus pandemic. According to the International Data Corporation (IDC) [Worldwide Quarterly Server Tracker](#) and [Worldwide Quarterly Enterprise Storage Systems Tracker](#), under the current probable scenario server market revenues will decline 3.4% year over year to \$88.6 billion and external enterprise storage systems (ESS) revenues will decline 5.5% to \$28.7 billion in 2020. The server market is expected to decline 11.0% in Q1 and 8.9% in Q2 and then return to growth in the second half of the year. The external ESS market is forecast to decline 7.3% in Q1 and 12.4% in Q2 before returning to slight growth by the end of 2020 with further recovery expected in 2021.

IDC developed three forecast scenarios (optimistic, probable, and pessimistic) for the impact of COVID-19 on the IT infrastructure markets. The probable scenario assumes a broad negative impact starting in China and spreading into other regions before slowing toward end of the year. Elements of the impact include changing demand expectations from various groups of IT buyers, supply chain shortages and logistical delays, short-term component price increases, and a suppressed economic and social climate. The current forecast is based on the probable scenario as of March 26, 2020. However, as the situation continues to unfold, the forecasts might be adjusted further.

The fast-changing environment has revealed some remarkable differences in how the pandemic has affected various segments of the market. As the first to be hit by the coronavirus, China will see the greatest negative impact in the first quarter of 2020 while other regions will start to experience the impact in the second quarter. Similarly, some

industries (transportation, hospitality, retail, etc.) are facing significantly reduced consumer activity and business closures and others are being hit by an unexpected wave of demand for services, including video streaming, Web conferencing, and online retail. Facing economic uncertainty, many businesses are being forced to consider more expedited adoption of cloud services to fulfill their compute and storage needs. This spike in demand put unplanned pressure on the IT infrastructure in cloud service provider datacenters leading to growing demand for servers and system components. As a result, the IT Infrastructure market has two submarkets going in different directions: decreasing demand from enterprise buyers and increasing demand from cloud service providers. This dynamic is impacting the server market the most, resulting in just a moderate decline for the overall market in 2020. The external storage systems market, with a higher share of enterprise buyers, will experience a deeper decline in 2020.

Worldwide End User Spend on Servers, 2019, 2020 and 2024
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and Five-Year CAGR (value in \$ billions)						
IT Infrastructure Market	Market Segment	2019 Value	2020 Value	2020-2024 Growth	2024 Value	2019-2024 CAGR
Servers	x86	\$83.8	\$81.9	2.2%	\$109.5	5.6%
	non-x86	\$8.0	\$6.7	-16.0%	\$6.8	-3.3%
Total Server		\$91.7	\$88.6	3.4%	\$116.4	6.9%

Source: IDC Worldwide Quarterly Server Tracker, March 26, 2020

Worldwide End User Spend on External Enterprise Storage Systems, 2019, 2020 and 2024 and Five-Year CAGR (Value in \$ billions)						
IT Infrastructure Market	Market Segment	2019 Value	2020 Value	2020-2024 Growth	2024 Value	2019-2024 CAGR
External ESS RAID	External ESS RAID	\$30.0	\$28.3	5.7%	\$32.0	1.3%
	Storage Expansion*	\$0.4	\$0.5	9.6%	\$0.4	-2.4%
Total External ESS		\$30.4	\$28.7	5.5%	\$32.4	1.3%

Source: IDC Worldwide Quarterly Enterprise Storage Systems Tracker, March 26, 2020

* Note: Storage Expansion category includes OEM and ODM Storage Expansions.

"The impact of COVID-19 will certainly dampen overall spending on IT infrastructure as companies temporarily shut down and employees are laid off or furloughed," said [Kuba Stolarski](#),

research director, IT Infrastructure at IDC. "While IDC believes that the short-term impact will be significant, unless the crisis spirals further out of control, it is likely that this will not impact the markets past 2021, at which point we will see a robust recovery with cloud platforms very much leading the way."

In the longer term both markets will return to growth. The server market is expected to deliver a compound annual growth rate (CAGR) of 4.9% over the 2019-2024 forecast period with revenues reaching \$116.6 billion in 2024. Meanwhile the external ESS market will see a five-year CAGR of 1.3% growing to \$32.4 billion in 2024.

"The IT infrastructure markets are already going through a transformation and shifts in end user spending will bring an even faster changing IT buyer landscape," said [Natalya Yezhkova](#), research vice president, IT Infrastructure. "While the current crisis brings tensions and uncertainty to the market, it also will push organizations to expedite adoption of technologies and IT delivery models that help with optimization of IT infrastructure resources."

IDC's Worldwide Quarterly Cloud IT Infrastructure Tracker and Worldwide Quarterly Server Tracker are part of the [Worldwide](#)

[Quarterly Enterprise Infrastructure Tracker](#), which provides a holistic total addressable market view of the five key enabling infrastructure technologies for the datacenter (servers, external enterprise storage systems, purpose-built appliances: HCI and PBBA, and datacenter switches).

For more information about any of IDC's Enterprise IT Infrastructure Trackers, please contact Lidice Fernandez at lfernandez@idc.com.

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