Forrester: Public Cloud Is Poised To Surpass $1 Trillion By 2026 -- But Not Without Enduring Several Global Challenges

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To remain profitable, leading cloud players will need to pivot their investments to analytics, AI/ML, and other differentiated premium services

CAMBRIDGE, Mass., Dec. 13, 2022 /PRNewswire/ -- According to Forrester's (Nasdaq: FORR) Public Cloud Market Outlook, 2022 To 2026, the public cloud market will top more than $1 trillion worldwide by 2026. As this market matures, however, more moderate public cloud growth will be influenced by several factors: intense competition among the largest cloud providers; fragmentation of the market due to regulatory and political tensions; and edge computing vendors capturing an increasing share of IT spending in relation to cloud.

Forrester further finds that cloud infrastructure services will account for nearly $496 billion in revenue in 2026, as hyperscalers — the largest companies trying to dominate the public cloud and cloud services industries — battle the increased commoditization of infrastructure. While hyperscalers will increase investments in technologies such as custom microchips and advanced wireless networking to match competitors' offerings, this will be more of an opportunity to retain customers and shift them to higher-priced services than a key driver of revenue. To maintain their influence over the public cloud market, hyperscalers and providers will need to prioritize major investments in other differentiated premium services, including:

- **Database and analytics fueled by customer demand for AI/ML.** As customers seek AI and machine learning for product innovation and greater operating efficiency, database and analytics services revenue will rise threefold to $89.5 billion by 2026. Cloud AI platforms will drive revenue increases in these services. Additionally, cloud-native technologies will gain greater influence as they are increasingly infused into AI/ML standards and as Kubernetes becomes the de facto standard for IT infrastructure in the cloud.
- **Development services that lure in more coders.** Revenue in this market segment will rise to $51 billion by 2026. Factors including serverless becoming integral to app development on cloud platforms, automation, and integration of low-code into cloud development will fuel this growth.
- **Cloud applications that enhance hyperscalers' SaaS offerings.** The cloud applications market — a category dominated by non-hyperscalers that lead in SaaS — will hit market saturation at nearly $397 billion by 2026, but this won't stop hyperscalers from focusing on strengthening their SaaS offerings and being the best hosts for SaaS.

"Public cloud has experienced nearly a decade of high growth and acceleration, even amid pandemic-induced challenges," said Lee Sustar, principal analyst at Forrester. "This growth will continue into 2026. It will be challenged, however, by competitive pressure for hyperscalers and providers to make massive investments in services like database and analytics, development services, and SaaS — all while maintaining high levels of infrastructure investment to keep pace with their rivals' innovation."

Resources:

- Learn more about Forrester's projections for the public cloud market from 2022 to 2026.
- Read Forrester's The Public Cloud Market Outlook, 2022 To 2026 report (client access required).
- Explore Forrester's 2023 predictions for cloud computing.

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