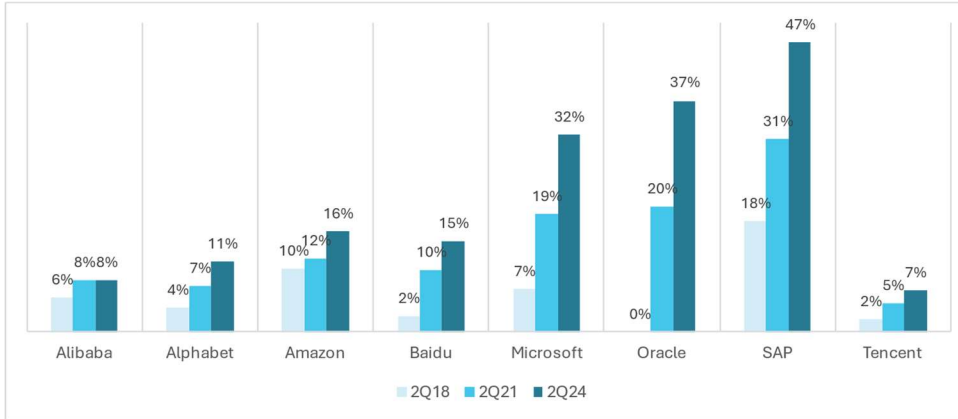**Figure 3: Cloud service revenues as a percent of total for key webscalers, 2018-24**
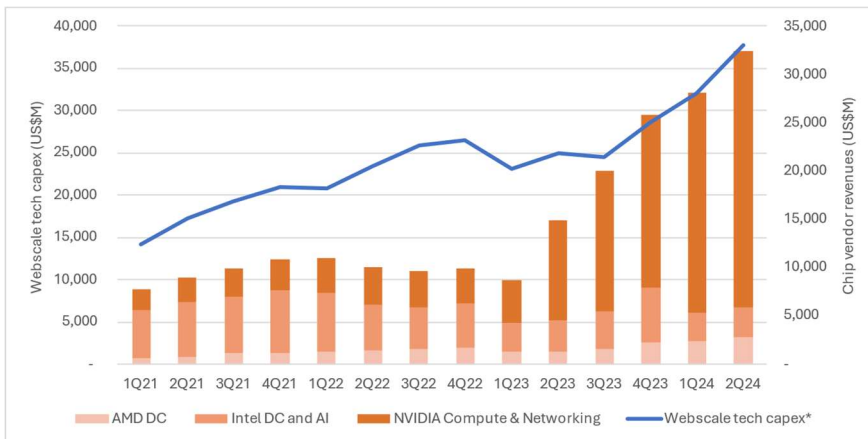

Source: MTN Consulting

Cloud revenues will continue to develop for webscalers, but cloud is no longer highlighted as the main driver for new capex projects. GenAI has taken over that position, for now.

Webscale tech capex closely tied to chip vendors' data center revenues

As noted above, the biggest webscalers are the ones driving data center construction spend. Recently this spend has been more tech-heavy than usual, with lots of GPU purchases for deployment in existing facilities. The figure below shows how chip vendor revenues have tracked the tech component of webscale capex over the last few years. Specifically, it shows the aggregate of data center-related revenues for AMD, Intel, and NVIDIA, and compares it to annualized webscale tech capex.

Figure 4: Webscale tech capex vs. Chip vendors' data center revenues (US$M)

Source: MTN Consulting
*Network, software and IT-related capex spend by webscale operators (e.g. AMZN, META, MSFT...)

If you run a simple correlation test, you will see a reasonably close connection (84%) between webscale tech capex and the total of the three chip vendors' revenue streams. However, another look into the numbers suggests a divergence: the ratio of webscale tech capex to chip vendor revenues has declined markedly in the last few quarters. On an annualized basis, the capex to chip revenue ratio was 1.15 in 2Q24, less than half the 2.33 recorded in annualized 2Q23. Chip vendor revenues have surged to the point where questions arise. Has the GenAI-driven surge in demand caused GPU prices to rise, and can we expect prices to come back down as more suppliers enter the market or production is otherwise