

Network operator capex ends 2023 at \$543B, down 3% YoY; webscalars guiding up, telcos moderating

GenAI fervor pushing data center capex higher for webscale and CNNO, while telcos look for cost reductions; progress could help ease fears of excessive hype

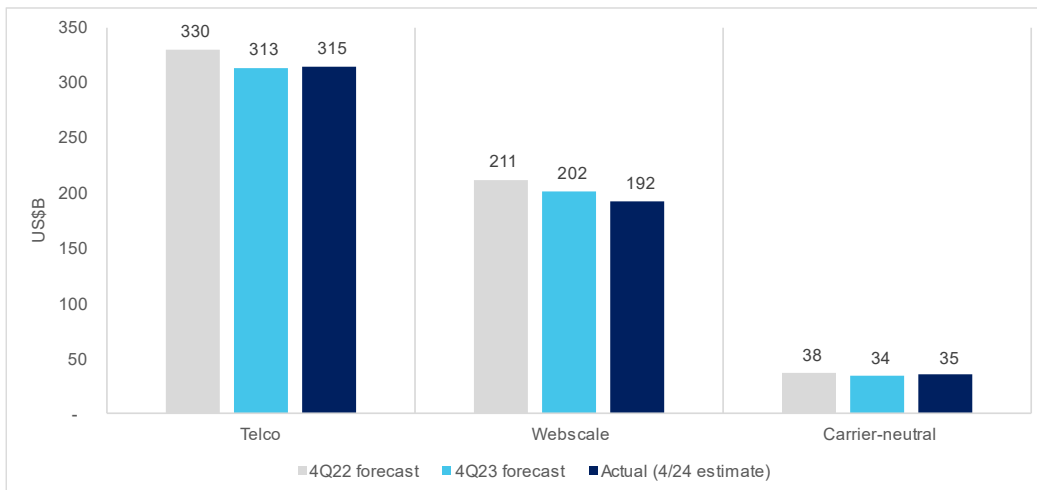
Summary

This note summarizes 2023 capex results for each of three segments of network operators tracked by MTN Consulting: telco, webscale, and carrier-neutral. The note also discusses capex-related news from early 2024, and presents an informal update to our December 2023 spending forecast. That [forecast](#) projects capex in 2024, by segment, to amount to: \$309 billion (B) for telco (2023 actual: \$315B), \$203B for webscale (2023: \$192B), and \$39B for carrier-neutral (2023: \$35B). That would total to \$552B, just 1.6% growth above the 2023 actual. While we continue to expect telco spending to be tightly controlled in 2024, the generative AI (GenAI) hype will push webscale & carrier-neutral capex higher than expected by at least another \$10-20 billion. Telco capex in 2024, though, is likely to come in about \$10-20B less than anticipated last year, roughly offsetting the webscale/CNNO outperformance. We will provide a formal update to our spending forecast within the next 3 months.

2023 capex came in ~\$30B less than we expected in 2022

In December 2022, we projected total capex for our three operator segments to reach \$579B in 2023. That target looked reasonable through the first half of the year, but was thrown off course in the second half. Actual operator capex for 2023 amounted to \$543B, a 3% drop from 2022. Figure 1 shows what we expected capex to be in 2023, as published in both 4Q22 and 4Q23, and the actual result for the year.

Figure 1: Capex by operator segment in 2023, actual versus projected



Source: MTN Consulting

The forecast miss was due to many telcos moderating capex just a bit, and two specific webscalars (Amazon and Meta) cutting capex significantly YoY. Both have since upped their capex outlooks as they pursue GenAI opportunities.