

1Q Worldwide Router and Switch Markets Affected by Lower Global Capex Spend

Global capital expenditure is expected to increase only two to three percent in 2015.

GILBERT, ARIZONA, USA, May 19, 2015 /EINPresswire.com/ -- The Worldwide Carrier Routing & Switching markets decreased revenue in Q1 but was up slightly year over year. The Q1 Total Worldwide Carrier Routing and Switching market posted revenue of \$2.8 billion.

	Q-Q MS Points +/-	Y-Y MS Points +/-
ALU	-3.0	-0.3
Brocade	+0.6	+0.2
Cisco	+2.0	-0.5
Huawei	+0.7	+1.5
Juniper	+0.5	-1.6

Worldwide Carrier Routing & Switching Markets 1Q15

The core routing segment had revenues of \$570 million, increasing 1.2 percent q-q and up 3.6 percent y-y. The edge/switching segment posted revenue of \$2.2 billion, down 8.0 percent q-q but up marginally 0.2 percent y-y.



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Ray Mota

U.S. capex was down 14 percent in 1Q and is projected to be down 10 percent in 2Q. The second half of 2015 is expected to be positive, with capex ranging from 2 to 6 percent, but overall for 2015, U.S. capex is projected to decline 4 percent. Europe is projected to increase approximately 5.8 percent, APAC will be up 6 percent and CALA, which was down 4 percent last year, will grow 2.2 percent.

Disruption continues to affect the router and switching market; social, mobile, analytics, and [SDN](#)/virtualization adoption has

resulted in more data being transmitted and stored through mobile and computing devices. "Currently, carriers have infrastructure that is complex and is somewhat inflexible," states [Ray Mota](#), CEO of ACG. "This means they have to be very risk adverse. Carriers must start transitioning their architectures to so they just program the services, not rearchitect the network every time they have a new service. Service providers are looking for low-risk deployments while doing their network transformations and are looking at hybrid networks, a network that utilizes both the purpose-built Physical Network Function and Virtual Network Function, which are targeting almost all segments and functions of the network."

TREND and DRIVER HIGHLIGHTS

Network innovations will facilitate bandwidth increases by expanding the capacity of the access network, reducing service providers' costs, and creating new incentives for subscribers to stay on-net. For example, the benefits of LTE-Advanced include optimized heterogeneous networks with a mix of macro cells and small cells to improve coverage and reduce costs and use of multicarrier to support higher data rates.

LTE initiatives are also driving demand for mobile backhaul, evolved packet core, and edge routing

solutions; however, there will be a decrease in the mobile backhaul business as LTE roll-outs end. In 1Q some vendors benefited from a second round of investments in LTE backhaul infrastructure to raise capacity for demand.

Wireline carriers remain focused on enhancing the fiber footprint, expanding its reach (FTTX) and capacity (100 gig) to facilitate improved broadband offerings, carrier Ethernet services, and cloud capabilities. Increasing traffic volumes at the network edge should drive demand for core upgrades, which may benefit sales of coherent transport products, OTN switches and core routers.

[Data center interconnect](#) positively impacts both the optical and packet domain. Currently, ACG sees six to eight percent of edge routers being dedicated to DCI. ACG sees three main areas that will be the foundation for DCI: Optical, Layer 2 and Layer 3.

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