

# 1Q Worldwide Optical Markets Affected by Capex Decreases

*The growth rate of 100G optical interfaces remains steady and the trend to support 4G and mobile Internet services is driving expansion in all regions*

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/EINPresswire.com/ -- The Worldwide [Optical](#) Networking market decreased in 1Q15 to \$2.9 billion in revenue, dropping 13.3 percent q-q but increasing 4.1 percent y-y. With the exception of the Packet Optical Transport segment, which was up 3.9 percent q-q and Sonet/SDH segment, which increased 0.5 percent, all segments of the optical market posted quarterly declines.

1Q Worldwide Total Optical Networking Market		
	Q-Q MS Point +/-	Y-Y MS Point +/-
Huawei	-5.4	-0.2
ZTE	1.7	2.9
Alcatel-Lucent	-1.0	1.7
Ciena	-0.3	-1.1
Cisco	-0.1	0.1

1Q Worldwide Optical Market

The POTS segment, after slow growth for several years, is beginning to see an acceleration driven by the transition from legacy services and operators that need to transition their installed base. In the SONET/SDH segment most Tier 1 service providers have stopped building out or capped spending on SONET/SDH as they transition to newer technologies; however, in other global markets and lower-tier carriers, E1 interfaces are still fundamental to operators' businesses. Legacy players tend to dominate these businesses with development support limited to maintenance.

U.S. capex in the first quarter was down 14 percent and the second quarter is projected to be down 10 percent. The smaller capex spending in Q1 had a direct impact in the overall optical market. Capex allocation for optical equipment has decreased from 9 percent to 4.3 percent during the last 5 years.

The top five worldwide players in 1Q were Huawei with 15 percent market share; ZTE, 15 percent market share; Alcatel-Lucent, 12 percent market share; Ciena 12 percent market share and Cisco, 8.5 percent market share respectively.

## TREND AND DRIVER HIGHLIGHTS

Web 2.0/Webscaller/Co-location capex is expected to grow in 2015 in the \$36 billion range and will be a new growth area for selling virtual routers, DCI optical and packet solutions. We expect to see growth with web scale companies growing their capex.

[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.

MSPP solutions continue to decline as subscribers transition from legacy protocols such as ATM and TDM based technologies to the IP/Ethernet environment continues.

100G in metro applications in high demand, which will help drive growth in overall optical market.

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