

CLOUDFEST

State of the Cloud Report – Winter 2026

The AI Paradox: Cloud Industry Continues Racing Toward AI Despite Declining Confidence



2026

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Executive Summary: State of the Cloud, Winter 2026

Key Takeaway: Survey results reveal a widening gap between AI investment and confidence, raising concerns about strategic thinking being sacrificed for competition.

This gap signals a turning point for the cloud industry. AI is no longer just a technical challenge, but a strategic maturity test. Organizations that continue to pursue AI reactively risk rising costs, stalled execution, and erosion of trust, while those that align AI ambition with infrastructure planning, security fundamentals, and ROI discipline will separate themselves as the next generation of cloud leaders.

The December 2025 installment of CloudFest's quarterly State of the Cloud survey pulses, conducted by Open Eye, highlights the evolving landscape of cloud computing thanks to insights from more than 600 global professionals. What we saw as cautious optimism in prior datasets, for the industry at large and for AI's impact in particular, appears to be flagging and at risk of not meeting expectations or hopes.

CloudFest launched this survey series to fulfill its value promise of bringing unique insights to the cloud-based tech industry. These benchmarking surveys focus on business concerns, goals, needs, and enable professionals to track shifts in industry-wide sentiment and priorities moving forward.

Report Highlights:

The following are highlighted findings from the December 2025 survey of over 600 cloud-based tech professionals from around the world, and include notable shifts that reference the prior September 2025, installment of the survey.

The cloud-based tech industry at large reports confidence in what they bring to global innovation and international business success. However, we see significant concerns over the logistic risks of geopolitical disarray, and the less tangible but very real threats of U.S. dominance to data sovereignty and reduced trust in U.S.-based companies.

Please note as the majority of respondents (76%) are EMEA-focused organizations, findings here are notably revealing when it comes to that geographic sector of the industry.

Key Findings:

- **The AI Paradox:** AI surged to #1 priority (+6.4 percentage points), yet belief in AI as an industry opportunity declined (3.85 → 3.71), and implementation rates plateaued at 45.4%, revealing competitive pressure driving adoption without strategic conviction.
- **The Execution Gap:** While companies declare AI a priority, they struggle to implement: 45.4% report AI changes already made (unchanged from September), while those "planning but not implemented" grew (+3.1%), suggesting a bottleneck between intention and execution.
- **Rising Anxiety, Declining Confidence:** AI cost concerns (+0.14) and security concerns (+0.12) intensified while ROI confidence remained flat and overall cloud optimism declined (-0.13)—the pattern of organizations pursuing transformation they doubt will succeed.
- **The Security Trade-Off:** Cybersecurity declined as a priority (43.8% → 39.4%) despite security risk perception remaining constant (3.90), suggesting AI's urgency may be consuming attention from proven fundamentals.

Taken together, these findings reveal a three-part imbalance: AI has become an urgent priority, belief in its value is weakening, and execution capability is lagging. The industry is not struggling with enthusiasm, but with alignment between urgency, conviction, and operational readiness.

Key Quote:

"Nobody wants to be the company that missed the AI revolution. So, we're all investing in AI whether we think it makes sense or not. It's not strategic; it's survival instinct. And honestly? Most of us have no idea if it's going to work."

Methods

CloudFest partnered with Open Eye to author and field a series of quarterly surveys, launching in September 2025, sending the online questionnaire via email to CloudFest members worldwide. This regular pulse approach developed from prior annual surveys of the industry, conducted in 2023 and 2024.

Results here are updated with findings from our most recent pulse, fielded in December 2025. The December 2025 survey gathered 639 responses from cloud industry professionals via industry events, LinkedIn, and professional networks. As a non-probability convenience sample, standard margin of error calculations do not apply. However, for directional guidance, if this were a random sample, the margin of error would be approximately $\pm 4\%$ at the 95% confidence level for overall results.

More than 600 respondents filled out the survey, making results statistically significant for the industry at large, but especially the European cloud-based tech industry given most respondents reporting a geographic EMEA focus (76 %). The respondent business focus within that pool is diverse though (detailed in the appendix), allowing for a mix of cloud tech providers, consumers, and enablers; technical depth alongside strategic oversight; and diverse perspectives across company sizes.

Key demographic breakdowns of respondents are in the appendix.

SECTION 1: INDUSTRY SENTIMENT: DECLINING OPTIMISM AND TRANSFORMATION PRESSURE

Our December 2025 survey revealed a notable erosion in industry confidence as the year closed, even as companies continue to accelerate AI investments and acknowledged steady demand for Cloud services. Across multiple measures, optimism weakened while necessity remained consistent.

Overall Cloud Sentiment: Weakening Conviction

Please rank on a scale of 1 to 5 (where 1 is “disagree completely” and 5 is “agree completely”) how much you agree with the following statements.

4.05 in September



3.92 in October

Respondents' personal optimism about cloud computing declined measurably between September and December. Agreement with the statement "I feel optimistic about the future of Cloud-based technology" dropped from 4.05 to 3.92 on a five-point scale (where 5 represents complete agreement). While still positive, this -0.13 decline represents a statistically significant shift in sentiment.

Beyond this quarter-to-quarter drop, we can also contextualize this with our former approach of annual benchmarking State of the Cloud surveys. Industry optimism was higher – always above 4 – when measured in March 2023, 2024, and 2025, making this drop at the close of 2025 even more significant.

“Cloud-based technology will continue to be vital to business worldwide”

4.26 in September



4.16 in October

Simultaneously, belief that "Cloud-based technology will continue to be vital to businesses worldwide" also declined, from 4.26 to 4.16. This presents an interesting tension: respondents overwhelmingly believe Cloud technology will remain necessary (4.16 is a strong score on a scale of 1 to 5), yet their personal optimism about its future is waning. The pattern suggests the cloud is viewed increasingly as unavoidable infrastructure rather than promising opportunity—essential, but not exciting.

When asked whether "the opportunities ahead for cloud technology outweigh the risks," sentiment remained essentially flat at 3.54 (from 3.53 in September). This moderate score, unchanged despite three months of market evolution, indicates persistent ambivalence. Roughly half of respondents are uncertain whether the cloud's future benefits justify its risks; a troubling hesitation given the industry's central role in digital transformation.

Again, if we look back at these scores when we measured on an annual scale, we note a new drop. Prior, industry vitality and opportunity vs. risk assessments were always more positive.

One respondent captured this ambivalence: *"Cloud is a necessity now, not a choice. But the complexity, cost overruns, and vendor lock-in concerns keep me up at night. We're committed because we have to be, not because we're confident it's the right path."*

"This doesn't feel like the early cloud days when we were excited about the possibilities. Now it feels like survival. AI, security, compliance, cost control—it's relentless. We're running just to stay in place."

Diving Deeper: Optimism by Industry Angle

Independent Software Providers and CSPs are significantly more optimistic than respondents in other fields.

Note: Independent Software Providers are remarkably more optimistic than other respondent types regarding industry optimism, vitality, and opportunities outweighing risks. MSP/VAR/System integrator respondents are the least optimistic on all counts.

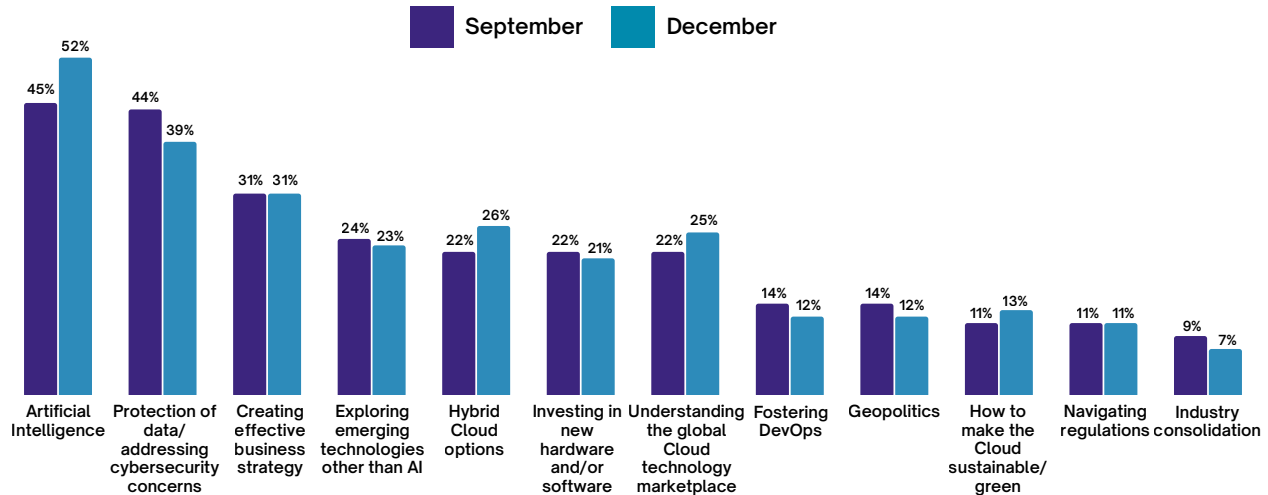
Diving Deeper: Optimism by Company Size

Significantly more optimism comes from our largest respondents, those with revenues of more than \$250 million in 2024.

BUSINESS PRIORITIES: WHAT'S TOP OF MIND?

With multiple annual State of the Cloud surveys and now two quarterly pulse datasets, we have a robust arsenal of data from which to observe shifts in business priorities. Two that have remained steadfast are AI investment and cybersecurity/data protection. These rose to the top yet again, but with some eyebrow-raising shifts when considered alongside optimism and worry gauge changes.

Which of the following are most important to you, when it comes to the current and future health of your business? (select up to 3)



The hierarchy of cloud concerns emerged clearly in both pulses and demonstrated an industry that believes the future belongs to AI, but still faces significant security risks along the way.

- 1. Artificial Intelligence** AI commands top position even more forcefully today than before. While the last quarter edged out cybersecurity by a single percentage point, by the end of the year it surged to a definitive lead. *Note: while a top priority for all, it is significantly higher for Corporate IT respondents.*
- 2. Protection of Data/Cybersecurity** Security essentially tied with AI for top concern in the September pulse, then dropped in December. It's still a top priority and even necessity given this business, but we need to keep an eye on whether it keeps receiving as much investment and mind share moving forward. *Note: while a top priority for all, it is highest for Corporate IT and MSP/VAR/System Integrator respondents.*
- 3. Creating Effective Business Strategy** In a rapidly changing environment, strategy itself becomes priority. Organizations need frameworks to make sense of the competing other pressures on this very list: AI adoption, sovereignty requirements, regulatory compliance, talent competition, and geopolitical risk. *Note: while a top priority for all, it is significantly higher for CSP, ISP, and Registrar/Registry respondents.*

Beyond these top three, we see the next tier down surface priorities beyond AI, infrastructure modernization, flexibility in hybrid cloud options, and considering how that strategic focus will fit in on a global landscape.

SECTION 2: AI-SPECIFIC OPTIMISM: THE GAP BETWEEN PRIORITY AND BELIEF

This section explores the core tension underlying the survey: AI is rising rapidly in importance while confidence, clarity, and execution readiness are weakening. Together, these results show an industry acting from urgency rather than conviction, and ambition outpacing operational reality.

We've seen that AI occupies the top priority spot even more dramatically than before, but how does that pair with industry sentiment and spending? We've long seen cloud-based tech's relationship with artificial intelligence as complicated – a top priority but not always implemented yet, and a source of both optimism and concern. With the December pulse, the story got even more interesting.

“Cloud-based technology will continue to be vital to business worldwide”

3.85 in September



3.71 in October

The decline in AI-related optimism is particularly striking given AI's surge as a business priority. Agreement that “AI is a tremendous opportunity for positive growth for our industry” fell from 3.85 to 3.71—a -0.14 decline that mirrors the broader erosion of cloud optimism. This drop occurred during the same period when AI jumped 6.4 percentage points to become the industry's top priority.

When asked whether “the pros of AI outweigh the cons,” sentiment remained flat at 3.46 (from 3.49 in September). This moderate score of roughly neutral sentiment sits uncomfortably alongside AI's dominance as a priority. Half the industry is uncertain whether AI offers net benefits, yet a larger share is making it their top focus.

This forms the central paradox of these new findings: AI priority rising sharply while belief in AI's benefits declines. Companies do not appear to be embracing AI from conviction; they may be pursuing it despite growing doubts, without a definitive benefit in mind beyond it now becoming table stakes. **The pattern is consistent with competitive pressure rather than strategic enthusiasm.**

As one respondent summed up: *“Everyone's talking about AI, and we feel like we're falling behind if we don't have an AI strategy. But honestly? We're not convinced it will deliver what's promised. We're investing because we're afraid not to, not because we're confident it will work.”*

Rising Concerns, Declining Confidence

As AI priority intensified, so was the anxiety about its implementation. On a five-point agreement scale, concerns increased across multiple dimensions:

Agreement with (1-5 scale):	September	December	Change
I have significant concerns about the cost of AI implementation.	3.28	3.42	+ 0.14
I have significant concerns around the safety and security of artificial intelligence in cloud computing.	3.65	3.77	+ 0.02
AI will be key to my business streamlining and saving money.	3.35	3.36	+ 0.01
I have significant concerns about AI hurting cloud-based technology workforce retention and development.	2.78	2.82	+ 0.04
I feel confident about how to use AI to optimize my business.	3.39	3.36	- 0.03
The pros of AI outweigh the cons.	3.49	3.45	- 0.03
AI is expensive to implement, but I feel confident in a positive return on this investment.	3.21	3.16	- 0.05

AI Cost Concerns: Agreement with "I have significant concerns about the cost of AI implementation" rose from 3.28 to 3.42 (+0.14). This statistically significant increase indicates growing recognition that AI deployment will be expensive—and potentially more expensive than initially anticipated.

AI Safety/Security Concerns: Agreement with "I have significant concerns around the safety and security of artificial intelligence in cloud computing" increased from 3.65 to 3.77 (+0.12). With security already the highest-scoring concern in September, this further increase suggests mounting anxiety about AI's security implications.

Meanwhile, confidence measures weakened:

Business Value Belief: Agreement that "AI will be key to my business streamlining and saving money" held essentially flat at 3.36 (from 3.35). This moderate score indicates lukewarm conviction about AI's business case, neither strong belief nor outright skepticism, but persistent uncertainty.

Confidence in Use: Agreement with "I feel confident about how to use AI to optimize my business" declined slightly from 3.39 to 3.36. Companies don't feel increasingly capable of leveraging AI; if anything, confidence is eroding as complexity becomes apparent.

ROI Confidence: Agreement that "AI is expensive to implement, but I feel confident in a positive return on this investment" declined from 3.21 to 3.16. At 3.16 (barely above the neutral midpoint) this represents the survey's weakest confidence measure regarding AI. Companies doubt they'll achieve positive ROI on AI investments yet are making AI their top priority.

The pattern is consistent across all measures: as AI priority surges, concerns intensify while confidence weakens. This is not the signature of strategic conviction; it's the signature of competitive pressure.

Additionally, there are no significant differences in these beliefs between business type or size, indicating industry-wide concerns regarding AI.

Is There a Planning Gap?

Does the surge in AI prioritization and dip in cybersecurity focus point to a potential strategic vulnerability? Consideration of cross-tabulation of priority selections adds more to the picture.

Of those who selected AI as a top three business priority in December, they were most likely to also prioritize:

- Cybersecurity/Data protection (39%)
- Creating effective business strategy (31%)

And then, at a far distance:

- Hybrid cloud options (17%)

Those who prioritize AI are similarly concerned about the security risks of the technology (as indicated in significant responses that security is the primary worry when it comes to AI), and are consumed with high-level planning in order to best utilize AI in service of business health.

The weak correlation between AI prioritization and hybrid cloud prioritization, though, exposes a gap between ambition and execution planning. Hybrid cloud represents infrastructure flexibility, with the ability to deploy AI workloads across public cloud, on-premises, and edge environments.

That 83% of AI prioritizers aren't similarly prioritizing these infrastructure implications may reveal reactive adoption without comprehensive planning.

One respondent aptly captured this disconnect: *"We have three committees working on our AI strategy. We've done market research, competitive analysis, and identified use cases. But when I asked where we'll actually run these AI workloads and what infrastructure we need, everyone looked at me like I was being difficult. We're planning the what without considering the how."*

"We have AI projects everywhere. Marketing has a chatbot pilot. Engineering is experimenting with code generation. Sales wants AI-powered lead scoring. But nothing is in production at scale. We keep hitting the same problems: data quality, integration complexity, unclear ownership, cost concerns. The enthusiasm is there; the execution capability isn't."

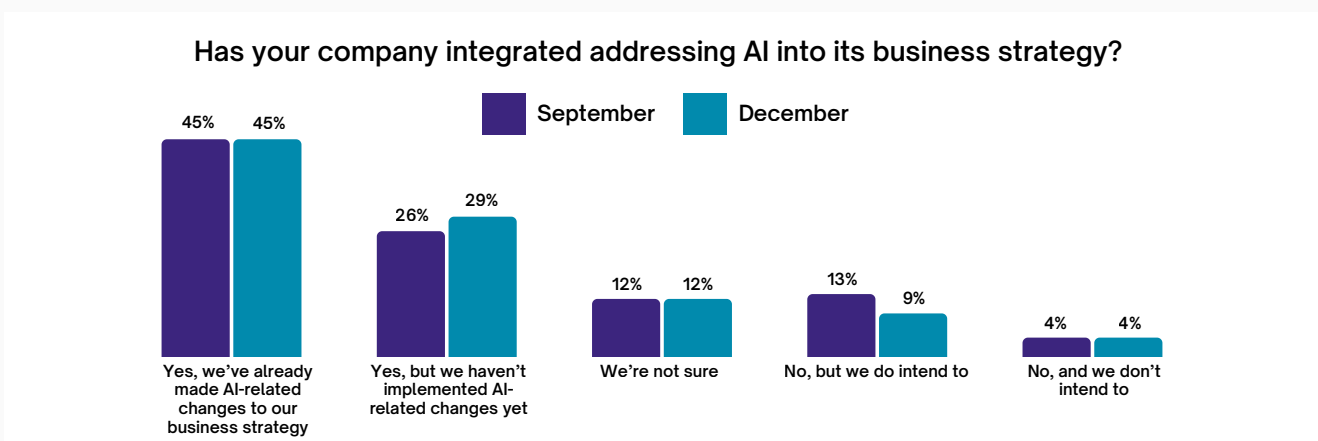
Quotes from those who are in that strategic minority of marrying AI with infrastructure indicate a different mindset:

"AI and hybrid cloud reinforce each other: AI needs scalable compute power → hybrid cloud provides it. Hybrid cloud needs intelligent automation → AI delivers it. Together, they create a modern, resilient, data-driven business capable of adapting to rapid change."

"For us, artificial intelligence, hybrid cloud options, and data protection/cybersecurity are crucial because they improve and optimize processes, increase efficiency, and ensure secure and flexible data management. AI helps enhance production quality, reduce waste, and handle large data volumes for better decision-making."

Implementation Update

Finally, let's check in on AI implementation and how that might reflect and reinforce the above paradox:



The gap between priority and action becomes starker when examining actual AI integration progress.

Already Implemented AI Changes: Remained flat at 45.4% in both September and December. Despite rising priority, the percentage of companies who have actually made AI-related business changes didn't budge.

Strategic But Not Implemented: Increased from 26.2% to 29.3% (+3.1%). This represents the "planning phase" companies have added AI to their strategy but haven't executed. This category grew while actual implementation stalled, suggesting bottlenecks in moving from intention to action.

Undecided: Increased from 11.9% to 12.4% (+0.5%). More than one in ten respondents still don't know whether their organization has an AI strategy, despite AI being the industry's top priority. This reveals organizational confusion and lack of clarity.

Intend But Haven't Started: Declined from 12.8% to 8.7% (-4.1%). This decrease, combined with the increase in "strategic but not implemented," suggests fence-sitters are moving into planning mode—but not into execution.

No Intent: Slight increase from 3.6% to 4.3% (+0.7%). A small but persistent minority actively reject AI integration.

What's behind that implementation plateau of 45%? Future State of the Cloud reports will likely prove revealing when it comes to what's keeping AI growth from intent to implementation.

Diving Deeper: AI Implementation by Industry Angle

Respondents most likely to report already having implemented AI changes in strategy come from CSPs, Independent Software Vendors, and MSP/VAR/System integration. Those least likely to have done so are Corporate IT, Infrastructure providers, and ISPs/Telecom.

Diving Deeper: AI Implementation by Company Size

Respondents from the smallest companies (less than \$5 million in revenue) are significantly less likely to have implemented AI in business strategy; significantly higher implementation is seen by companies with revenue over \$250 million. The next tier down, \$51-250 million, is most likely to have plans for implementation but not having yet done so.

To Sum Up: Anxiety-Driven Adoption

The December data reveals AI adoption characterized by:

1. **Surging priority despite declining confidence** (51.5% priority, 3.71 opportunity belief)
2. **Rising concerns without commensurate planning** (cost and security concerns up, infrastructure consideration low)
3. **Strategic awareness without execution capability** (31% recognize need for strategy, but implementation stalled at 45.4%)
4. **Attention displacement from fundamentals** (cybersecurity declining despite constant risk perception)

SECTION 3: OTHER NOTABLE SHIFTS: INFRASTRUCTURE, SUSTAINABILITY, AND TRUST

While AI dominates the December survey narrative, several other priority and sentiment shifts reveal important secondary trends in how cloud industry professionals are thinking about infrastructure, environmental concerns, operational maturity, and confidence in each other.

Security: Concerns Unchanged, Priority Declining

Interestingly, one sentiment measure remained perfectly stable: agreement that "security poses a major risk to the future of cloud computing" held steady at 3.90 in both September and December. Respondents' assessment of security risk is neither improving nor worsening; it's constant.

This stability becomes significant when contrasted with cybersecurity's decline as a business priority (from 43.8% to 39.4%, detailed above). Security concerns haven't diminished, yet security has dropped as a priority focus. This suggests attention displacement rather than problem resolution: AI's urgency is consuming bandwidth previously devoted to security fundamentals.

"Everyone wants to talk about our AI strategy. Nobody wants to talk about the fact that our security posture hasn't kept pace with our cloud expansion. AI is sexy; security is boring. But boring is what keeps us operational."

Hybrid Cloud: Independent Momentum

Hybrid cloud options rose from 22.4% to 25.9% as a priority—a 3.5 percentage point increase that, while smaller than AI's surge, represents meaningful growth. However, as documented earlier, this growth appears largely independent of AI adoption pressures.

Only 34% of hybrid cloud prioritizers also selected AI, and only 17% of AI prioritizers selected hybrid cloud. This weak correlation suggests hybrid cloud's rise is driven by factors separate from AI infrastructure requirements.

Note: Hybrid cloud prioritization is highest for Corporate IT, ISP/Telecom, and Infrastructure providers. When it comes to size of business, hybrid cloud is a significantly higher priority for larger companies (\$50 million+).

Qualitative responses confirm multiple motivations for hybrid cloud interest:

Cost Optimization: *"Hybrid cloud matters because it keeps us flexible and cost-efficient while ensuring the data stays where compliance says it should."*

Vendor Lock-In Avoidance: *"We've accepted that cloud will be regional, not global. Hybrid gives us optionality if one provider becomes too expensive or restrictive."*

Data Sovereignty Requirements: *"Digital sovereignty is more and more important, and hybrid cloud is the only way forward. We need to keep certain data on-premises due to GDPR and industry regulations while leveraging cloud for other workloads."*

Multi-Cloud Strategy Maturation: *"Hybrid and multi-cloud are now the norm. No company wants to be locked into one system. Hybrid Cloud means you can run workloads both on-premises and in the cloud, optimizing performance, cost, and compliance."*

These motivations reflect infrastructure flexibility as an end, not specifically as enablement for AI. The third who do link hybrid cloud to AI represent a strategic minority thinking holistically about infrastructure requirements. But for the majority, hybrid cloud rise reflects separate pressures: economic (cost control), strategic (vendor independence), regulatory (compliance), and technical (legacy integration).

One infrastructure director explained: *"Our hybrid cloud project started before anyone here was talking seriously about AI. It's about getting our costs under control and keeping our options open. The fact that it might help with AI deployment is a happy accident, not the reason we're doing it."*

Trust Erosion: Consumers and Cooperation

Beyond optimism about technology itself, the survey reveals concerning declines in relational trust, both with end users and across the industry.

Agreement that "consumers largely trust cloud technology" declined from 3.32 to 3.24. Already in moderately negative territory in September, this score weakened further in December. This is a metric we've seen waver over the years; at 3.24, it now represents the survey's weakest sentiment measure. Respondents believe consumers are skeptical of cloud technology, and that skepticism is growing.

One respondent chalked this up to more consumer exposure to AI rather than less: *"The privacy concerns, the outages, the cost surprises, they all add up. Customers are more educated now about cloud risks, and more skeptical. We're fighting an uphill battle for trust."*

Belief in international cooperation also deteriorated. Agreement that "International cooperation in cloud investment is essential" fell from 3.71 to 3.57. While this may reflect pragmatic acceptance of geopolitical fragmentation (data sovereignty requirements, regional regulations, trade tensions), the decline suggests diminishing hope for coordinated global cloud strategies.

This pattern suggests an industry fracturing along national and regional lines, with cooperation giving way to compliance-driven localization. As one European respondent put it: *"We've accepted that cloud will be regional, not global. Data sovereignty isn't going away, it's intensifying. The dream of borderless cloud is over."*

Sustainability: Gradual Ascent Continues

Finally, let's check in on sustainability. "How to make the cloud sustainable/green" increased from 10.8% to 12.9% (+2.1 percentage points). While this change is not statistically significant and sustainability remains a relatively low priority (seventh of 11 options), the consistent upward trend is notable.

Environmental concerns appear to be gaining traction as a competitive differentiator rather than a regulatory requirement. Respondents describe sustainability variously as cost opportunity ("With low cost, green hybrid cloud options"), customer demand ("*big impact to customer when the cloud is not sustainable*"), and strategic necessity ("*Cloud industry must get its energy from decarbonized resources*").

However, sustainability also faces skepticism about economic viability. One respondent noted: *"It does cost a lot of money to make it 'green'. Currently I think that is almost impossible without losing a lot of money."* Another warned: *"We need to be careful to ensure we keep being competitive globally from a European approach. If we can't keep up with the global economies it might be nice to be sustainable, but irrelevant."*

The gradual rise suggests sustainability is moving from "aspirational but impractical" toward "competitive necessity," though it hasn't yet reached urgency threshold for most organizations. Companies are watching sustainability as a trend but not yet prioritizing it above more immediate concerns like AI, security, and cost management.

SECTION 4: INTERNAL BUSINESS OUTLOOK: CAUTIOUS OPTIMISM WITH PERSISTENT CHALLENGES

Let's look internally now and consider response trends when it comes to individual organization forecasts. The December survey reveals how Cloud industry organizations view their near-term business prospects. This is where we can see some glimmers of continued faith in individual success, even in the face of growing vertical uncertainty.

Headcount Expectations: Stability Over Expansion

When asked about headcount expectations for the next three months, respondents showed stable patterns between September and December, with marginal shifts suggesting slightly more conservative hiring postures.

In December, 49.0% expect headcount to "stay roughly the same"—up from 46.1% in September. This stability-first posture increased by nearly 3 percentage points, suggesting organizations are adopting wait-and-see approaches rather than aggressive expansion.

Combined growth expectations (significant + moderate increases) declined slightly from 37.2% in September to 34.6% in December:

Headcount Expectation	September %	December %	Change
Increase Significantly (10%+)	7.8%	9.2%	+1.4%
Increase moderately (3-5%)	29.4%	25.4%	-4.0%
Stay roughly the same	46.1%	49.0%	+2.9%
Decrease moderately (3-10%)	7.1%	7.9%	+0.8%
Decrease significantly (-10%+)	2.1%	3.1%	+1.0%
Not sure	7.5%	5.5%	-2.0%

The shift from moderate growth (29.4% → 25.4%, -4.0%) to stability (46.1% → 49.0%, +2.9%) suggests organizations are pulling back from expansion plans. However, significant growth expectations increased slightly (7.8% → 9.2%), suggesting bifurcation: some organizations are pursuing aggressive expansion while most are holding steady.

Combined headcount reduction expectations (significant + moderate decreases) increased from 9.2% to 11.0% a modest but notable uptick in organizations anticipating workforce contraction.

CSPs and Independent Software Providers are significantly more likely to report a forecasted headcount rise (and were the most optimistic among respondents), while ISPs/Telecom, Infrastructure providers, and Corporate IT respondents are significantly more likely to see decreases ahead. Our highest revenue respondents (\$250 million+) are significantly more likely than other respondents to forecast headcount decreases.

Cloud Spending: Continued Growth Despite Cost Concerns

Despite rising cost concerns documented throughout the survey, Cloud infrastructure spending continues accelerating. The percentage reporting Cloud spending increases (significant + moderate) rose from 45.9% in September to 49.0% in December—nearly half of organizations are increasing cloud expenditure.

Cloud Spending Trend	September %	December %	Change
Increasing Significantly (20%+)	6.1%	8.6%	+2.5%
Increasing moderately (5-20%)	39.8%	40.4%	+0.6%
Staying flat	34.6%	35.4%	+0.8%
Decreasing moderately (5-20%)	5.2%	4.2%	-1.0%
Decreasing significantly (>-20%)	0.5%	1.3%	+0.8%
Not sure	13.9%	10.1%	-3.8%

Significant increase expectations (20%+ spending growth) rose notably from 6.1% to 8.6% (+2.5%), suggesting some organizations are experiencing or anticipating substantial cloud cost escalation. This aligns with the AI cost concerns documented earlier; AI workloads are expensive to run, and organizations pursuing AI are seeing bills climb accordingly.

CSPs are significantly more likely than other respondents to see cloud infrastructure spending ahead. When it comes to company size, we see more spending increase forecasted by companies with more than \$5 million in revenue annually.

The combination of rising cloud spending with rising cost concerns creates tension. Companies are spending more on cloud infrastructure while simultaneously worrying more about costs. This is a pattern consistent with feeling trapped on a spending escalator driven by competitive necessity rather than confident strategic choice.

One respondent captured this tension: *"Our cloud bill keeps growing, and we keep questioning whether we're getting proportional value. But we can't stop spending because our competitors are spending, and if we fall behind on capabilities, we lose customers. It's like an arms race where everyone's going broke."*

Growth Confidence: Modest Optimism Holding Steady

Confidence in organizational growth prospects over the next 12 months remained essentially stable between September and December, with modest shifts suggesting slightly improved sentiment:

Growth Confidence	September %	December %	Change
Very confident	21.6%	22.4%	+0.8%
Confident	49.2%	50.4%	+1.2%
Neutral	25.5%	23.0%	-2.5%
Not confident	3.8%	4.2%	+0.4%

Combined confidence (very confident + confident) increased slightly from 70.7% to 72.8% (+2.1%), while neutrality declined from 25.5% to 23.0% (-2.5%). This suggests some fence-sitters moved into the confident category, though the overall distribution remains remarkably stable.

Confidence is highest among CSPs and Independent Software Providers, and significantly lower among Infrastructure, Corporate IT, and ISP/Telecom respondents.

What's striking is the stability itself. Despite AI anxiety, declining optimism about cloud's future, rising concerns about costs and security, and implementation challenges, organizational growth confidence didn't collapse. Roughly three-quarters of respondents remain confident or very confident in growth prospects.

This disconnect—declining strategic optimism paired with stable tactical confidence—suggests organizations separate long-term industry concerns from near-term business execution. They may doubt AI's transformative promise while still believing their specific organization will navigate successfully through expertise, relationships, or market positioning.

Growth Drivers: Product Expansion Over Geographic Reach

Among those expecting growth, the sources of anticipated expansion show important shifts between September and December:

Growth Source	September %	December %	Change
Product/service expansion	71.5%	73.7%	+2.2%
Market expansion	57.4%	48.0%	-9.4%
Regional growth	28.2%	27.9%	-0.3%
M&A	16.5%	15.8%	-0.7%

Product/service expansion remains the dominant growth strategy at 73.7% and increased slightly from September (+2.2%). This aligns with AI priorities—companies plan to grow by adding AI-enhanced services, new cloud capabilities, and expanded offerings to existing customers rather than pursuing geographic or market expansion.

This growth option is most popular among lower-revenue (under \$50 million) companies.

Market expansion showed the survey's largest decline, dropping from 57.4% to 48.0% (-9.4%). This significant decrease suggests reduced appetite for entering new markets, launching in new industries, or pursuing new customer segments. Combined with the declining international cooperation scores documented earlier, this reinforces the trend toward regional consolidation rather than global expansion.

Market expansion is most popular among CSPs, Infrastructure providers, and Independent Software providers.

One executive explained: *"We used to talk about 'going global' as the default growth strategy. Now we talk about 'deepening penetration in current markets.' It's less glamorous but more realistic given regulatory complexity, data sovereignty requirements, and resource constraints."*

This pattern reveals a defensive growth strategy: expand offerings to existing customers in existing markets rather than pursuing aggressive geographic or market expansion. This approach minimizes execution risk but also limits growth potential. It's the strategy of companies managing uncertainty rather than capitalizing on opportunity.

The Talent Challenge: Persistent Skills Gaps

While skills/talent shortage remained relatively stable as a perceived risk (35.2% → 34.7%), qualitative responses reveal the challenge's complexity. When asked to specify difficult-to-find roles or skills, respondents most frequently mentioned:

AI/Machine Learning Expertise: *"AI/ML engineers with practical deployment experience, not just model training" and "People who understand both cloud infrastructure and AI deployment. They basically don't exist."*

Hybrid/Multi-Cloud Architecture: *"Architects who can design across multiple clouds while maintaining security and cost efficiency" and "DevOps engineers with multi-cloud experience"*

Security Specialists: *"Cloud security architects who understand zero-trust, compliance, and automation" and "Security engineers with AI security expertise"*

Specialized Technical Combinations: *"Professionals with hybrid skill sets—technical depth plus business acumen plus communication ability" and "The problem isn't finding technical people; it's finding technical people who can also sell, manage projects, and work with customers"*

The pattern reveals skills gaps aren't about scarcity of technical talent generally but scarcity of skill combinations. As technology complexity increases, demand shifts from specialists to polymaths who can integrate multiple disciplines.

One director synthesized the challenge: *"We need unicorns: cloud architects who understand AI workloads, can design for multi-cloud, know security compliance, manage costs, and can explain it all to non-technical stakeholders. We can't find them because they don't exist in sufficient numbers, and training people up takes years."*

This skills shortage may contribute to the implementation plateau documented prior. Companies declare AI priorities but lack personnel to execute, creating the gap between strategic intention and operational capability.

CONCLUSION: AN INDUSTRY AT THE CROSSROADS

The December 2025 State of the Cloud pulse survey captures an industry experiencing transformation driven more by anxiety than ambition. Artificial intelligence has surged to dominant priority status not because companies believe in its value proposition, but because they fear competitive disadvantage if they abstain. Simultaneously, industry optimism has declined, consumer trust has weakened, and the gap between strategic intention and execution capability has widened.

What This Means for the Industry

The December survey findings point toward three possible trajectories for the cloud industry in 2026, which CloudFest will keep close watch on in coming State of the Cloud reports:

Scenario 1: Market Correction

If current patterns continue—AI priority remaining high while confidence continues declining and implementation stays stalled—the industry will likely experience correction in 2026 as companies scale back ambitious AI initiatives that fail to deliver ROI.

The gap between AI hype (51.5% priority) and AI confidence (3.71 opportunity score) cannot persist indefinitely. When investment exceeds conviction by such margins, eventual retrenchment becomes likely. Companies will cut AI budgets, scale back initiatives, and redirect resources toward more tangible returns.

This correction need not be catastrophic, it could represent healthy rationalization, separating genuinely valuable AI applications from speculative investments. However, it would create turbulence, particularly for vendors whose growth projections assume sustained AI enthusiasm.

Scenario 2: Bifurcation Between Strategic and Reactive Adopters

Alternatively, the industry may bifurcate into winners and losers based on execution capability. The strategic minority (17-34%) who demonstrate thoughtful AI infrastructure planning, clear ROI frameworks, and organizational preparation will achieve genuine AI-driven business value. The reactive majority who pursue AI from checkbox mentality will struggle with poorly planned implementations, cost overruns, and failed pilots.

This bifurcation would create widening performance gaps within the industry, with strategic adopters gaining competitive advantage while reactive adopters waste resources. The planning gap becomes the execution gap, which becomes the performance gap.

This scenario reflects typical enterprise technology adoption patterns: early thoughtful adopters succeed while fast followers struggle, until best practices eventually diffuse and late majority adopters learn from predecessors' mistakes. This is where industry convenings like CloudFest become decisive: they are the space where reactive adoption can turn into strategic capability through shared frameworks, infrastructure realism, and peer learning

Scenario 3: Muddled Continuation

A third possibility is sustained muddling through; companies slowly learning by doing, implementation rates gradually improving, but at substantial cost in wasted resources and missed opportunities. AI adoption follows the pattern of cloud adoption a decade earlier: lots of early missteps, expensive lessons, and eventual maturation after trial and error.

This scenario is least satisfying, but perhaps most realistic for large portions of the industry. Organizations will iterate through failed AI pilots, gradually develop capabilities, slowly clarify use cases, and eventually achieve moderate success after considerable investment. Progress occurs but inefficiently, with high error rates and substantial sunk costs.

Let's close with a reminder of what's most buoying industry excitement. The most frequent trends in response to "What are you excited about when you think about your business moving forward?" are:

- AI as a productivity tool: "The responsible use of artificial intelligence to streamline operations, improve decision-making, and free up time for higher-value work"
- European sovereignty as market opportunity: "Rising demand for sovereignty and resilience in Europe, creating opportunities to build trusted architectures and long-term partnerships"
- Thoughtful multi-cloud maturity and smart flexibility: "I'm excited about the growing demand for more thoughtful infrastructure decisions. Companies are moving away from one-size-fits-all cloud approaches and are more open to hybrid, private, and performance-driven solutions"
- Customer value and the continuation of human relationships: "Supporting customers in growing is awesome"
- Innovation and emerging possibilities in this inherently future-oriented industry: "The pace of change is challenging, but it's also what makes this moment exciting—there's a chance to lead, adapt, and shape the future rather than just react to it"

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APPENDIX: SURVEY DEMOGRAPHICS AND RESPONDENT PROFILE

Question: Which one of the following best describes your business?

Organization Type	Count	Percentage
Corporate IT	156	23.93%
Cloud service provider (CSP)	123	18.87%
Other	101	15.49%
MSP/VAR/System integrator	82	12.58%
Independent Software Vendor (ISV)	67	10.28%
Infrastructure provider/hardware/components	62	9.51%
ISP/Telecom	31	4.75%
Registrar/Registry/Domain Name System (DNS)	30	4.60%
Total	652	100%

Note: "Other" category includes IT consultants, web hosting providers, media publications, software developers, consulting companies, cybersecurity specialists, distributors, and various industry-specific organizations. Full list of "Other" responses available in raw data.

Question: Within your organization, which of the below best describes your primary role?

Role	Count	Percentage
Technology (including Data & AI Strategy)	238	36.50%
Business Strategy/Operations (including executive leadership)	179	27.45%
Product Development / Innovation	98	15.03%
Sales	43	6.60%
Other	42	6.44%
Marketing/Communications	32	5.21%
Legal/Compliance/Security	18	2.76%
Total	652	100%

Note: "Other" category includes roles such as Professional Services, IT procurement, System Administrators, Project Management, and various hybrid roles.

Question: How long have you personally been working in an industry related to Cloud-based computing?

Experience Level	Count	Percentage
10+ years	186	40.26%
6-10 years	122	26.41%
1-5 years	134	29.00%
Less than a year	20	4.33%
Total	462	100%

Mean Experience: Highly experienced sample with 67% having 6+ years in cloud computing.

Question: What would you estimate your company's revenue was in 2024?

Revenue Range	Count	Percentage
Less than \$5 million	143	31.09%
\$5-50 million	94	20.43%
\$51-250 million	46	10.00%
More than \$250 million	83	18.04%
I'm not sure	94	20.43%
Total	460	100%

Note: Significant "unsure" category suggests respondents may not have access to company-wide financial data.

Question: How large is your current business?

Company Size	Count	Percentage
Less than 10 employees	113	24.35%
10-50 employees	76	16.38%
51-100 employees	39	8.41%
101-250 employees	40	8.62%
250+ employees	185	39.87%
I'm not sure	11	2.36%
Total	464	100%

Question: Which of the following does your organization primarily work as?

Company Size	Count	Percentage
None of these	197	42.55%
Other supplier (e.g., Registrar)	70	15.12%
CSP with a reseller/agency program	42	9.07%
SaaS supplier to web agencies	30	6.48%
Closed-source platform provider	27	5.83%
Web agency	21	4.54%
Total	463	100%

Note: High "None of these" (51.54%) indicates diverse business models beyond web/agency-focused categories, aligning with broader cloud industry representation.

Question: About how many client websites do you currently manage?

Number of Websites	Count	Percentage
Fewer than 100	46	47.42%
100-499	6	18.75%
1,000-4,999	3	9.38%
5,000+	1	3.13%
500-999	0	0.00%
I'm not sure	4	12.50%
Total	97	100%

Question: About how many web agencies do you serve through this channel? (Asked only of CSPs with reseller/agency programs, N=42)

Number of Agencies	Count	Percentage
I'm not sure	15	35.71%
Fewer than 50	12	28.57%
50-199	6	14.29%
200-499	5	11.90%
500+	4	9.52%
Total	49	100%

Note: High uncertainty (28.57%) may reflect distributed sales models where individual respondents don't track total agency counts.

Question: About how many websites are you currently maintaining? (Asked only of Closed-source platform providers, N=27)

Number of Websites	Count	Percentage
Fewer than 50	11	40.74%
50-199	3	11.11%
200-499	1	3.7%
500+	3	11.11%
I'm not sure	9	33.33%
Total	27	100%

Question: About how many active agency customers are you supporting? (Asked only of SaaS suppliers to web agencies, N=30)

Number of Customers	Count	Percentage
Fewer than 50	5	16.67%
50-199	3	10.00%
200-499	5	16.67%
500+	10	33.33%
I'm not sure	7	23.33%
Total	30	100%

Question: About how many domains or websites do you currently provide? (Asked only of Registrars/Other suppliers, N=70)

Volume	Count	Percentage
I'm not sure / Not applicable	26	37.14%
Fewer than 500	20	28.57%
500-1,999	4	5.71%
2,000-9,999	2	2.86%
10,000+	18	25.71%
Total	57	100%

Question: In what region does your organization primarily focus?

Region	Count	Percentage
Europe, Middle East & Africa (EMEA)	352	76.19%
Global reach, no regional focus	79	17.10%
North America (NA)	13	2.81%
Asia Pacific (APAC)	15	3.25%
Latin America (LATAM)	3	0.65%
Total	462	100%

The Typical December 2025 Respondent:

A **seasoned technical or strategic professional** (67% have 6+ years experience) working in a **technology or business strategy role** (64% combined) at either a **large enterprise (40% at 250+ employees)** or **small specialized firm (24% under 10 employees)**, focused primarily on the **European market (76% EMEA)**, with **diverse revenue profiles** reflecting the full spectrum from startups to major providers.

What This Means for Interpretation:

- 1. Experienced, Not Naive:** These aren't newcomers jumping on bandwagons—they're veterans who've seen hype cycles before. Their anxiety about AI is informed anxiety.
- 2. Decision-Maker Perspectives:** 64% technical/strategic roles means responses reflect people who make or influence cloud/AI decisions, not peripheral observers.
- 3. European Lens:** 76% EMEA focus means data sovereignty, regulatory compliance, and independence from US hyperscalers loom larger than in global sample. US respondents would likely show different patterns.
- 4. Size Diversity:** Bimodal size distribution (40% large, 24% tiny) means some findings reflect enterprise complexity while others reflect small business agility.
- 5. Ecosystem Breadth:** No single business model dominates, strengthening applicability across cloud industry segments.