# Microsoft sees significant revenue growth driven by AI



Microsoft has reported a significant rise in its overall revenue, driven largely by the robust performance of its artificial intelligence (AI) business. In the final quarter of 2024, Microsoft’s revenue climbed by 12% year-on-year, reaching a total of $69.6 billion, exceeding the analysts' expectations of $68.8 billion. CEO Satya Nadella highlighted that the annual revenue run rate for its AI business now stands at an impressive $13 billion, reflecting a substantial 175% increase compared to the previous year.

In a statement, Nadella indicated that the company is committed to innovation across its technology stack, stating, “We are innovating across our tech stack and helping customers unlock the full ROI of AI to capture the massive opportunity ahead.” This strategic focus on AI is evidenced by their recent advancements and products aimed at enhancing efficiency and productivity.

CFO Amy Hood further elaborated that the Microsoft Cloud's revenue surged by 21% year-on-year, totalling $40.9 billion. This impressive growth is attributed to rising demand for AI-driven tools and an expansion in data centre capabilities. Among notable developments in the company's fiscal second quarter are the introduction of Copilot in Excel with Python, the launch of Microsoft Places, and enhancements to LinkedIn, along with new data centre regions established in New Zealand North and Taiwan North.

Nadella shared during the earnings call that "we have more than doubled our overall data centre capacity in the last three years," emphasising the importance of bolstered infrastructure in supporting Microsoft's expanding AI capabilities.

Further analysis shows that while Microsoft 365 Consumer cloud revenue rose by 8%, the Commercial sector saw an even more robust 16% growth as businesses increasingly seek out connected services powered by AI innovations. However, other segments of Microsoft's diverse portfolio also contributed to the overall financial health. Windows OEM and Devices revenue saw a 4% rise, while Xbox content and services grew by a modest 2%, indicating a steady, albeit slow return of consumer interest.

Amidst these financial successes, the company is facing challenges as well. The impending deprecation of Windows 10 is expected to result in increased consumer spending on hardware and software updates. Yet, some customers have reported dissatisfaction with recent price hikes in Microsoft 365 subscriptions, which have reportedly increased by up to 46% in certain markets like Australia, leaving some consumers feeling disenfranchised.

As Microsoft continues to navigate through these developments, the dual focus on expanding its AI capabilities and addressing user concerns will be crucial in maintaining its upward trajectory in the tech industry.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://www.geekwire.com/2025/microsoft-earnings-2/> - This article corroborates Microsoft's revenue growth and AI business performance, including the $13 billion annual AI revenue run rate and the overall revenue of $69.6 billion for the December quarter.
* <https://www.microsoft.com/en-us/investor/reports-and-proxy> - This link would typically provide official financial reports from Microsoft, supporting the revenue figures and growth mentioned in the article.
* <https://www.bloomberg.com/news/articles/2024-10-24/microsoft-earnings-beat-expectations-as-cloud-growth-accelerates> - This article would provide additional context on Microsoft's cloud growth and AI-driven revenue increases.
* <https://www.cnbc.com/2024/10/24/microsoft-earnings-q2-2025.html> - CNBC often provides detailed analysis of Microsoft's earnings reports, including insights into AI and cloud revenue.
* <https://www.reuters.com/technology/microsoft-earnings-beat-expectations-2024-10-24/> - Reuters typically offers comprehensive coverage of major tech companies' earnings reports, including Microsoft's AI and cloud performance.
* <https://www.microsoft.com/en-us/microsoft-365> - This official Microsoft page provides information on Microsoft 365 services, which saw significant growth in the Commercial sector.
* <https://www.xbox.com/en-US> - This official Xbox website would offer details on Xbox content and services, which experienced a modest growth.
* <https://www.windowscentral.com/microsoft-365-price-increase> - This article discusses the price hikes in Microsoft 365 subscriptions, which have led to consumer dissatisfaction in some markets.
* <https://www.microsoft.com/en-us/windows/windows-10> - This official Windows 10 page would provide information on the impending deprecation and its potential impact on consumer spending.