

IDC Predicts Asia/Pacific* IT Spending Growth Will Drop to 1.2% in 2020 as COVID-19 Continues to Impact IT Markets

SINGAPORE, March 25, 2020 – COVID-19 pandemic continues to hamper economic activities around the globe impacting businesses and industries at nearly every level, and IT markets will not be spared. In January 2020, IDC originally forecasted Asia/Pacific excluding Japan and China (APEJC) IT Spending to grow by over 5.2% (in constant currency) this year due to the expected boost in Hardware, Software, and Services spending on infrastructure as enterprises implement digital transformation projects. However, early indicators from the first quarter reveals APEJC IT Spending in 2020 will significantly drop to 1.2% growth (pessimistic scenario) or worse based on forecast adjustments from the COVID-19 impact across the region, according to the February [IDC Worldwide Black Book Live Edition](#).

Figure 1

 Asia Pacific excluding Japan and China YOY Growth comparison of January 2020 and February 2020 Black Book Forecast			
	Jan-20	Feb-20	Pessimistic Scenario (Feb-20)
Real GDP	2.8%	2.1%	1.5%
IT Spending	5.2%	4.0%	1.2%

Source: IDC Worldwide Black Book Live Edition, February 2020
 Note: IT Spending growth in constant currency

Figure 2

 Asia Pacific including Japan and China YOY Growth comparison of January 2020 and February 2020 Black Book Forecast			
	Jan-20	Feb-20	Pessimistic Scenario (Feb-20)
IT Spending	5.6%	2.0%	-2%

Source: IDC Worldwide Black Book Live Edition, February 2020
 Note: IT Spending growth in constant currency

Globally the IT spend is expected to grow at a rate of 1.3% compared to the earlier prediction of 5.1%, with China impacted the most while APEJC* is expected to decline by

2%. Due to the extended uncertainty period and rising cases of COVID-19, these growth forecasts are predicted to further decline as we approach the March prediction.

“Some of the biggest impact we have seen as a result of COVID-19 are the changing demands on technologies, processes, and mindset as they relate to work-from-home (WFH) mandates and supply chain disruptions,” says [Sandra Ng](#), Group Vice President, Practice Group at IDC Asia/Pacific.

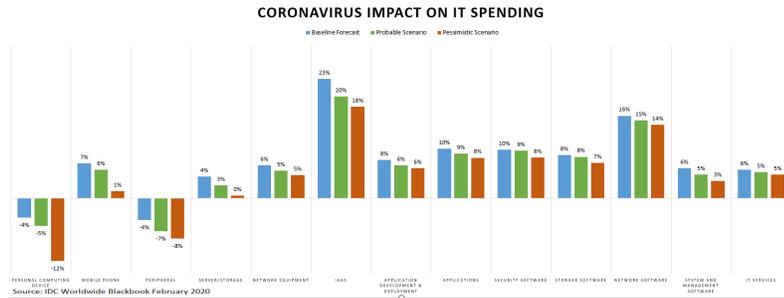
Ng adds, “Not all organizations have the culture or the experience in enabling a WFH workforce. Even for organizations in the tech industry, the increased capacity load on network, cloud and other technologies is unprecedented. Based on the latest data of our Future of Work Employee Survey 2020, in countries like Singapore, India, Hong Kong and ANZ where considerable organizations provide WFH, we have already seen an uptake of video meetings, audio conference calls, and collaboration platforms as a result of rethinking work.”

For supply chain disruptions, which started in China and has rippled around the globe – the challenges of logistics are keenly felt as countries employ border controls and restrict movement of people. This impacts SMB’s the most, which in turn will have impact on

all organizations as non-delivery of a single screw can mean even the largest product cannot be assembled and shipped,” says [Christopher Holmes](#), Managing Director at IDC Insights Asia/Pacific.

Some key findings from our February Blackbook:

Figure 3



Note: IT Spending growth in constant currency

Hardware: Devices (which includes Personal Computing, Mobile Phones and Peripherals) make around 80% of the overall hardware spend and drives the overall IT spend in the region. Sales of devices will be significantly impacted under a pessimistic forecast, creating both a supply-side production crunch as well as increasing demand-side challenges as the virus spreads to other countries. IDC’s February pessimistic scenario assessment shows that devices will be impacted the most, registering a declining growth of -3% versus its original forecast of +3% in 2020.

Software: Software spending would see a slowdown due to business impact in Transportation, Manufacturing, Retail, Personal and Consumer Services, and Banking (lending), which consequently is delaying the discretionary spend on software licenses. IDC estimates that the impact would be seen across all software markets like Application Development and Deployment, Applications, and System Infrastructure Software with the exception of digital workplace, cloud platform and automation technologies which can aid in the current situation.

IT Services: Compared to hardware, the COVID-19 pandemic has a constrained negative impact on the IT services market. IT services spending which was estimated to grow by 5.6% will now register a growth of 4.6% instead in 2020. This dip is observed due to the renegotiation of contracts, especially those due for extension or renewal this year. The overall Asia/Pacific excluding Japan (APEJ) services market is likely to experience a hit in the first eight to nine months and rebound in the remaining of the year (should the virus be contained by early Q3 in the region). While the outbreak negatively impacts the overall sentiment of enterprise spend, especially among sectors like travel, retail, hospitality, supply chains, and manufacturing, it also heightens the need for

enterprises to bolster remote working capabilities and digital collaboration infrastructure (e.g. handling exponential increase in simultaneous video sessions).

The IDC IT Market Spending data presented here is based on the [Worldwide Black Book Live Edition](#), updated monthly with the latest IT spending forecasts for annual growth across 100 countries. It will continue to evolve and capture the escalating impact of COVID-19 in the IT market. For more information on IDC Worldwide Black Book Live, please contact Ashutosh Bisht abisht@idc.com. For media inquiries, please contact Tessa Rago at trago@idc.com or Alvin Afuang at aafuang@idc.com.

IDC is the definitive source of Tech Insight on COVID-19. To help organizations plan their next moves in response to the pandemic, IDC is offering a range of resources including updated market forecasts with multiple outcome scenarios that address future uncertainties, research designed to keep digital transformation efforts on track, and insights into the workplace changes brought on by the virus. For more information, visit www.idc.com/covid19

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