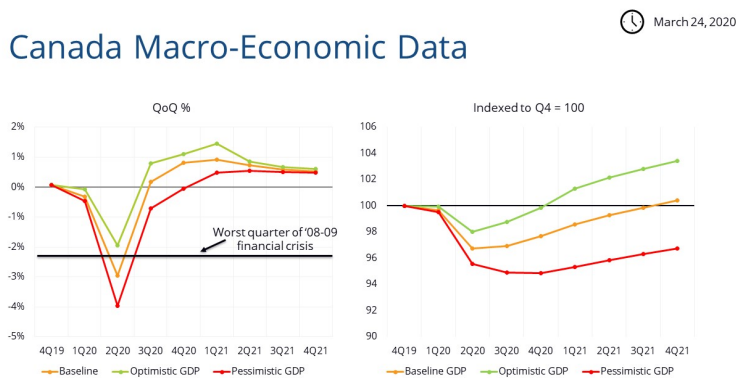


## IDC Expects Canada’s ICT Market to Face a Significant Slowdown in Technology Spending in 2020 and Beyond

### IDC Expects Canada’s ICT Market to Face a Significant Slowdown in Technology Spending in 2020 and Beyond

TORONTO, ON., March 26, 2020 — The coronavirus outbreak across the world and the necessary containment measures put in place by governments will substantially affect the Canadian IT markets, severely accelerating the impact already felt from the supply-driven effects from Asia. In this extremely fluid scenario, International Data Corporation (IDC) now expects to see a significant slowdown in technology spending in 2020 across Canadian organizations, with IT spending expected to decline by -5.0%. As recently as December 2019, we were projecting a positive 2.4% growth rate for 2020. However, with new stringent containment and lockdown measures in place across Canada, resulting in a rapidly deteriorating economic outlook, GDP forecasts have recently been revised down sharply for Q2 and Q3. Canadian Total IT Spending Growth for 2020 Revised Down from 2.4% to -5.0% in the Most Probable IDC Canada Research Scenario

Figure 1



 Source: Composite of Big Five bank economic forecasts

"Technology vendors and buyers are rapidly adapting to the disruption and the extremely fast-moving market conditions,"

said [Nigel Wallis](#), Research VP, IoT & Industries at IDC Canada. "In such a rapidly changing environment, it is still too early to assess the overall impact on the Canadian IT market fully. However, given the sharp economic contraction, IDC recommends that all technology leaders recalibrate their strategies."

IDC Canada has developed three scenarios to help technology providers and buyers with their short-term business and technology investment planning. "The probable scenario assumes the coronavirus is broadly contained by June. The optimistic scenario assumes the virus is more rapidly contained, and business and investments recover quickly and accelerate in Q3. Finally, a pessimistic scenario that considers a less controlled, longer-lasting, virus 'rebound' effect through Q3 and Q4," said [Tony Olvet](#), GVP Research, at IDC Canada.

Figure 2

March 24, 2020

## Canada Scenarios for Coronavirus Impact

Optimistic scenario	Probable scenario	Pessimistic scenario
<ul style="list-style-type: none"> <li>In this scenario, major virus impact in Canada is stabilized by mid-May.</li> <li>Virus spread into other regions beyond China, causing disruption to multiple supply chains and business activity in first half of 2020.</li> <li>Supply chain disruption from China in Q1 continues to impact market supply through first half of the year.</li> <li>Business and consumer confidence is impacted by spread of virus in first half of the year, with contingencies including travel restrictions; business decision-making is slower.</li> <li>Stock markets decline significantly in 1H 2020, then stabilize during 2H 2020.</li> <li>Markets and supply chains begin to stabilize in second half of year, with some rebound in activity during Q3/Q4.</li> </ul> <p>Notable numbers:</p> <ul style="list-style-type: none"> <li>Pre-crisis Cdn 2020 GDP estimate was 1.6%; this scenario sees Q1 at -0.07%, declining in Q2 to -2%, stabilize in Q3 (-1%) and then rebounding (+1%) in Q4. That's in sequential terms – in an annualized view, roughly multiply by four.</li> <li>Scenario 2020 GDP would be -0.2%</li> </ul>	<ul style="list-style-type: none"> <li>In this scenario, major virus impact in Canada is stabilized by mid-June.</li> <li>Virus spread globally, disrupting multiple supply chains and business activity in 1H 2020.</li> <li>ICT supply chain disruption from China/APeJ in Q1 impacts market supply (e.g. semiconductors, devices, components, etc.) through 1H 2020.</li> <li>Business and consumer confidence deeply impacted by virus in 1H 2020. Contingencies include travel restrictions; social distancing impacting face-to-face industries (e.g. tourism, hospitality, transit, new car sales, house sales, etc...). Decision-making is much slower.</li> <li>Stock markets decline significantly in 1H 2020, stabilize during 2H 2020.</li> <li>Markets and supply chains stabilize in 2H 2020, with rebound in activity during Q3/Q4.</li> <li>Canadian unemployment spikes in 2Q 2020 to 10% from 5% as affected industries pare back staffing dramatically.</li> <li>Massive intervention/subsidies (1-3% of GDP) to business and consumers in 2Q 2020 from federal/provincial government.</li> </ul> <p>Notable numbers:</p> <ul style="list-style-type: none"> <li>Pre-crisis Cdn 2020 GDP estimate was 1.6%; this scenario sees Q1 at -0.3%, declining in Q2 to -3.0, stabilizing in Q3 (0%) and rebounding (0.8%) in Q4.</li> <li>Scenario 2020 GDP would be -2.3%</li> </ul>	<ul style="list-style-type: none"> <li>In this scenario, major virus impact in Canada is stabilized by July, but the economic measures from governments are ineffective at restoring economic progress. Potential second wave of infections and social distancing in Q3.</li> <li>The negative consequences (e.g. unemployment, business closures/bankruptcies, etc.) lead to a further tipping point for household income, house valuations, and business investment.</li> <li>Virus continues in multiple regions globally past Q2, with ongoing impact to business and consumer confidence and trade/borders throughout 2H 2020.</li> <li>With major economies (e.g. US, EU, China) impacted through middle of 2020, the world's economy drags on trade and growth.</li> <li>WW GDP grows by &lt;1% in 2020 (many regions negative in 1H).</li> <li>Pessimistic scenario is still not a "worst-case" it assumes outbreak will be contained gradually and that supply chain constraints ease before end of 2020.</li> </ul> <p>Notable numbers:</p> <ul style="list-style-type: none"> <li>Pre-crisis Cdn 2020 GDP estimate was 1.6%; this scenario sees Q1 at -0.5%, falling in Q2 to -4.0, declining in Q3 (-1%) and stabilizing (0%) in Q4.</li> <li>Scenario 2020 GDP would be -5.1%</li> </ul>



These scenarios are subject to change and will be updated in future weeks to reflect rapidly changing events

Source: IDC, 2020

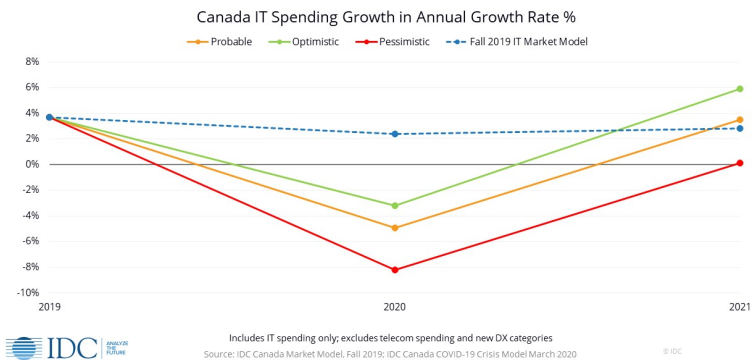
In the most probable scenario, IDC projects Canadian IT spending to decline by -5.0% in constant currency terms this year, down from the 2.4% forecast published at the end of 2019. "When taking a broad historical view of Canadian IT spending across the past decade, the impact of the COVID-19 crisis is expected to exceed the levels of the 2008–2009 financial crisis. As such, it does represent the most significant deceleration in IT spending growth Canada has experienced in modern time," said [Lars Goransson](#), Managing Director at IDC Canada.

As restrictions of movement bite, supply-chain disruption becomes commonplace, and demand drops, Canadian IT spending will drop rapidly in Q2. Particularly manufacturing, personal and consumer services, transportation, and hospitality will be sharply curbed, as these industries are the most exposed to the COVID-19 crisis impact in the short-, mid-, and long-term view. At the same time, other sectors, such as healthcare and government, will be forced to accelerate investments significantly. IDC expects this will drive additional IT investments for the public sector, pushing hard on infrastructure and collaboration tools deployments, but not before the second half of 2020."

In the most pessimistic scenario, IDC expects ICT spending to

drop and record a –8.2% decline in 2020, with all technology domains showing negative trends for the remaining part of the year. A series of domino effects, including oil price changes, currency depreciation, the inability of governments to make timely payments, delays in the supply chains and significant lay-offs would lead to a much more dramatic impact on the overall ICT market and an exponential increase in the downside risk in IDC's market forecast assumptions. Figure 3

### Coronavirus Impact on IT Spending 2020 🕒 March 24, 2020

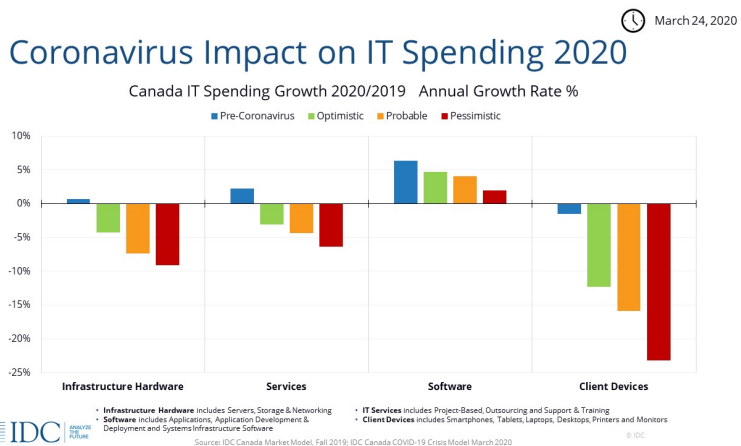


The new outlook is shaped primarily by lower expectations in the hardware and services markets:

- Hardware markets will suffer due to restriction measures hampering supply and overall reduced demand. Client Devices are particularly hit hard, initially because of supply constraints and in later quarters as reduced demand further erode growth.
- The most significant impact on the IT services industry will be a result of businesses postponing decisions on pending projects and slowing the execution of projects in the delivery phase.

Spending reductions on the software and telecoms markets are less pronounced, and some positive factors are expected to moderate the natural downturn somewhat. While the decrease in hardware spending will also negatively impact the overall software market to a degree, difficulties prompted by COVID-19 across industries will impact total telecommunication spending (this will be examined in forthcoming IDC Canada research). At the same time, the increasing need for remote collaboration will push telecom services demand and drive new opportunities in the collaborative applications and platforms areas, as well as an increase in security technologies that enable them.

Figure 4



The pre-existing digital maturity of industries will also be a factor impacting on their capacity to invest in technologies, regardless of their budget capabilities. Limited face-to-face business relationships between vendors and end-users will inevitably also

reduce investment in significant digital transformation projects in less mature industries, and especially for projects involving more advanced technologies. Social distancing and provincial lock downs (the duration is hard to predict) will also have significant consequences on the purchasing options for many consumers.

Additional factors weighing on investment will range from a decrease in customer demand to supply chains breaking up," said [Meng Cong](#), Manager, Market Insights & Analytics at IDC Canada. "Nevertheless, there are areas in which spending will grow. In use cases such as patient care as well as customer, citizen, student or employee experience and proximity, we expect to see accelerated adoption of digital solutions. Specific solutions such as videoconferencing, intelligent supply, chatbots, and e-learning platforms, among others, highlight how technology can help businesses and societies address these new challenges."

Register for our Upcoming Complimentary Live Webcast  
IDC's Canadian team is closely monitoring the evolution of the ICT market and its reaction to the coronavirus crisis through multiple research initiatives; this includes monthly surveys to poll Canadian digital leaders on their organizations' digital investment plans in light of COVID-19

scenarios. If you are interested in knowing more about this, please register for the upcoming complimentary IDC Live Webcast [COVID-19 Impact in the Canadian Technology Market](#) taking place on April 2, 2020, at 1 pm, EDT.

For more information about this press release or to arrange an interview with our analyst team, please contact Cristina Santander at [askidc@idccanada.com](mailto:askidc@idccanada.com).

#### About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets. With more than 1,100 analysts worldwide, IDC offers global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries. IDC's analysis and insight helps IT professionals, business executives, and the investment community to make fact-based technology decisions and to achieve their key business objectives. Founded in 1964, IDC is a wholly-owned subsidiary of International Data Group (IDG), the world's leading media, data and marketing services company that activates and engages the most influential technology buyers. To learn more about IDC, please visit [www.idc.com](http://www.idc.com) or follow on

Twitter at [@IDC](#) and [LinkedIn](#). To learn more about IDC Canada, please visit [www.idc.com/ca](http://www.idc.com/ca) or follow on Twitter at [@idccanada](#) and [LinkedIn](#).

IDC is a subsidiary of IDG, the world's leading technology media, research, and events company. Additional information can be found at [www.idc.com](http://www.idc.com). All product and company names may be trademarks or registered trademarks of their respective holders.

For more information contact:

Cristina Santander  
[csantander@idc.com](mailto:csantander@idc.com)  
416 673-2235  
AskIDC  
[askidc@idccanada.com](mailto:askidc@idccanada.com)  
416-673-2204  
Tony Olvet  
[tolvet@idc.com](mailto:tolvet@idc.com)  
416-673-2249