IDC Updates European ICT Market Forecast, as COVID-19 Hits Technology Investment Plans in 2020 and Beyond

European total ICT spending growth for 2020 revised down from 2.8% to 1.4% in the most probable IDC European research scenario

London, 13 March, 2020 - The coronavirus outbreak across European countries and the necessary containment measures put in place by governments will substantially affect European ICT markets, accelerating the impact already felt from the shocks in Asia. In this extremely fluid scenario, International Data Corporation (IDC) expects to see a significant slowdown in technology spending in 2020 across European organizations, with regional ICT spending growth rates for 2020 expected to halve from 2.8% to 1.4% compared to the December 2019 forecast, as the crisis seeps into virtually all European economies.

"European Technology vendors and buyers are rapidly adapting to the disruption and the extremely fast-moving market conditions," said Thomas Meyer, general manager and GVP research at IDC Europe. "In such a fluid scenario, it is still early to fully assess the overall European ICT impact picture. IDC recommends that all technology leaders recalibrate their strategies. 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."

"To help technology providers and buyers with their short-term business and technology investment planning, we have developed two scenarios for Europe: a probable one in which the extent of the coronavirus is broadly contained in the next few weeks, and a pessimistic one that considers a less controlled 'domino' effect on a global scale," said Philip Carter, chief analyst at IDC Europe.
In the most probable IDC scenario, European ICT spending is projected to grow by 1.4% in constant currency terms this year, down from the 2.8% forecast published at the end of 2019 in the IDC Worldwide Black Book Live Edition.

"When taking a broad historical view of European ICT spending across the past decade, the impact of the COVID-19 crisis has not reached the levels of the 2007–2008 financial crisis yet. However, it does represent the first strong deceleration in spending growth since the European debt crisis in 2013-2014," said Giorgio Nebuloni, AVP at IDC Europe.

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 production and an overall reduced demand
• The biggest 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

Impacts on the software and telecoms markets are less evident and some positive factors are expected to negate to a large extent the natural downturn. 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 telco connections. At the same time, the increasing need for remote collaboration will push telco services demand and drive new opportunities in the collaborative applications and platforms areas, as well as an increase in security technologies that enable them.

New Use Cases for Technology Will Emerge Quickly

"Factors weighing on investment will range from a decrease in customer demand to supply chains breaking up," said Carla La Croce, Senior Research Analyst at IDC Europe. "Nevertheless, there are areas in which spending will grow. There are specific solutions and use cases, such as videoconferencing, intelligent supply, chatbots, and elearning platforms among others, highlighting how technology can
help businesses and societies face (and hopefully surmount) these new challenges."

One of the most pertinent examples is the ability to contain the COVID-19 outbreak itself with the use of artificial intelligence (AI). The report by the WHO-China Joint Mission on COVID-19 highlights how the use of big data and artificial intelligence technologies were applied "to strengthen contact tracing and the management of priority populations." Researchers have also been starting to use deep learning techniques to support COVID-19 detection when analyzing CT scans and patient records. IDC believes some of these use cases could be observed in Europe over the next few weeks, albeit at a smaller scale."

A Pessimistic Scenario Depicting no Growth

In the most pessimistic scenario, IDC expects European ICT spending to drop to a near-flat 0.2% growth in 2020, with all technology domains but software 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 lay-offs in both public and private sectors would lead to
a much more dramatic impact on the overall ICT European market and an exponential increase in the downside risk in IDC Market Forecast assumptions.

As restrictions of movement bite, supply-chain disruption becomes commonplace and demand drops, European IT spend in manufacturing, personal and consumer services, transportation, and hospitality will be strongly 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 industries, such as healthcare and government, will be forced to accelerate investments in such a contingent situation. 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.

The pre-existing digital maturity of industries will also be a factor impacting on their capacity to invest in technologies, regardless of their effective budget capabilities. Limited face-to-face business relationships between vendors and end users will inevitably reduce investment in significant digital transformation projects in less mature industries. This is particularly true for projects involving more advanced technologies. This reduced social contact (the duration of which
is hard to predict) will also have significant consequences on the purchasing options of a good portion of consumers. Those consumers, especially in less digital-savvy countries, will be gradually excluded from access to technological innovations.

IDC’s European team is closely monitoring the evolution of the European ICT market and its reaction to the coronavirus crisis through multiple research initiatives; this includes an IT buyers survey to poll European digital leaders on their own 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: Navigating the European Technology Markets" taking place on March 17, 2020, at 10am UK / 11am CET and reach out for more information on the dedicated IDC Market Perspective report "COVID-19 Impact on European ICT Markets — Mid-March 2020 View," which will be published shortly.

IDC ICT 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 the coronavirus on market
expectations and will include a "pessimistic scenario" for IT spending for as long as the crisis persists. The pessimistic scenario should be used to understand the potential impact of the crisis beyond current actual data indicators for GDP and IT markets.

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 tech media, data and marketing services company. To learn more about IDC, please visit www.idc.com. Follow IDC on Twitter at @IDC and LinkedIn. Subscribe to the IDC Blog for industry news and insights: http://bit.ly/IDCBlog_Subscribe.

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