

COVID-19 Disrupts ICT Spending in Central and Eastern Europe, with Russia Hit the Hardest Due to Resource Industry Decline, According to IDC

FOR IMMEDIATE RELEASE, Prague — COVID-19 has infiltrated the Central and Eastern European (CEE) region, and measures taken to combat it have had an impact across all the countries of the region, as well as in Israel. According to the special edition of the Worldwide Semiannual ICT Spending Guide by Industry and Company Size, published by International Data Corporation (IDC), ICT spending in the region declined to -6.9% for 2020, and the forecast for the five-year compound annual growth rate (CAGR) through 2023 has fallen from the previous forecast to 1.4%.

In CEE, healthcare is expected to post flat growth or slightly decline by 0.7%, while telecommunications is expected to record only 1.7% year on year growth, despite being the biggest industry in the region.

Banking, the second biggest industry in the region, is projected to post a 7.6% year-on-year decline in 2020. Other sectors are also expected to contract; in particular, resource industries.

In terms of IT spending, the order of countries within CEE has not changed since the last published Spending Guide. with Russia still accounting for 32% of the CEE market, followed by Poland at 15.4% and the Czech Republic at 8.3%.

IT spending in CEE is expected to develop as follows in 2020 (year on year): Czech Republic (-2.7%); Poland (-3.5%), Romania (-6.1%), and Hungary (0%). Russia is expected to post the sharpest drop in spending, especially due to declines in the country's resources industry and the oil price collapse. Israel's IT spending will decline 6.8% year on year but will show mild positive growth of 0.2% over the five-year CAGR (2019-2023).

"The reprioritization of spending across industries illustrates the immediate priorities of organizations in response to the pandemic," says [Vladimir Živadinović](#), senior analyst at IDC Serbia. "Currently, the COVID-19 outbreak has resulted in reduced business activities in some industries, and the increase in other industries' development of eservices, most notably in government and healthcare. As the immediate danger subsides, a new shift in spending is expected."

During the course of the pandemic, the relative shares of ICT spending across industries and countries has changed. The share of spending in resources industries is declining in Russia and Romania due to the decline in oil demand and price. In Poland and Romania, the finance sector is slightly increasing its share of IT spending, while in Hungary the finance sector's spending share is unchanged, but declining in the Rest of CEE and this shift is mostly related to the ability of organizations to serve customers via e-services and to the ability of staff to work remotely. Retail & wholesale is decreasing its share of total IT spending in Poland due to prolonged government lockdown. Here online retail did grow, but insufficiently to make up for the losses of brick-and-mortar stores, especially non-chain ones.

“The healthcare industry in Russia is undergoing rapid change, driven by the impact of COVID-19. The pandemic highlighted the need for continued innovation and significant increase in IT spending generally. Support from the Russian government currently makes up a substantial part of healthcare funding. IT spending in the healthcare vertical is expected to increase, especially in the areas of ehealth, virtual services, personal protective gear, and medical devices, as well as in genetic technology,” says [Natalia Vinogradova](#), program manager at IDC Russia.

Figure 1

	Finance	Manufacturing	Retail & Wholesale	Resource Industries	Public Sector	Healthcare
Russia	↓	↓↓	↑	↓↓	↑↑	↑↑↑
Poland	↑	↓	↓↓	↓	↑	↑
Czech Republic	↓	↓	↑	↑	↑	↑↑
Hungary	↔	↓	↔	↓	↑	↔
Romania	↑	↓	↔	↓↓	↑	↑
Rest of CEE	↓	↓	↔	↑	↑	↑
Israel	↓	↓	↓↓	↔	↑	↑↑

Source: *Worldwide Semiannual ICT Spending Guide by Industry and Company Size, April 2020 version*

Strong positive	↑↑↑
Medium positive	↑↑
Light positive	↑
Neutral	↔
Light negative	↓
Medium negative	↓↓
Strong negative	↓↓↓

Legend for the relative industry shift

The Worldwide Semiannual ICT Spending Guide Industry and Company Size is IDC's flagship all-in-one data product capturing IT spending across more than 100 technology categories and 53 countries. This IDC Spending Guide will provide a granular view of the market for IT spending from a country, industry, company

size, and technology perspective. This comprehensive database delivered via pivot table format or IDC's custom query tool allows the user to easily extract meaningful information about various technology markets and industries by viewing data trends, relationships, and making data comparisons across more than 3 million data points.

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IDC's Spending Guides provide a granular view of key technology markets from a regional, vertical industry, use case, buyer, and technology perspective. The spending guides are delivered via pivot table format or custom query tool, allowing the user to easily extract meaningful information about each market by viewing data trends and relationships.

For more information about IDC's Spending Guides, please contact Monika Kumar at mkumar@idc.com.

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