IT Spending Forecast Hit by Coronavirus Impact and Downside Risks Continue to Escalate, According to Updated IDC Black Book Forecast

FRAMINGHAM, Mass., March 11, 2020 – The escalating coronavirus crisis is already impacting IT markets as buyers and vendors adjust to a new set of assumptions and a new global economic reality. Based on data indicators in the first quarter, International Data Corporation (IDC) expects to see a significant slowdown in spending on hardware in particular during the first half of 2020 with software and services spending also affected as the crisis reverberates through all sectors of the economy, including supply chains, trade, and business planning. By the end of 2020, in a pessimistic scenario, IT spending could grow by 1% compared to the original forecast of more than 4% growth, and these forecasts are more likely to trend down than up in the next few weeks.

According to the IDC Worldwide Black Book Live Edition for February 2020, IT spending is projected to grow by 4.3% in constant currency terms this year, reflecting downward adjustments to forecasts for hardware device sales. This is down from the 5% forecast in January, and IDC expects the March Black Book to show an additional downgrade to these forecasts based on the latest indicators and survey data, and the escalating situation in other regions outside China.

"The situation is extremely fluid," said Stephen Minton, vice president in IDC's Customer Insights & Analysis group. "Our monthly data and surveys are clearly pointing in one direction, but it's still early to understand the full impact of the coronavirus crisis across all sectors of the economy. We are using scenario models to illustrate that forecasts have a wider range than usual, and the downside risks in those models seem to be increasing every day. But the duration of the crisis remains a big unknown and will go a long way in determining overall market growth for the year as a whole."
Worldwide IT spending was originally forecast to grow by just over 5% in constant currency this year, as strong PC sales in the fourth quarter of 2019 gave way to a smartphone upgrade cycle driven by 5G and a recovery for service provider spending on infrastructure, while momentum around digital transformation projects continued to ensure strong demand for software and IT services. The February Black Book downgraded growth to 4.3% and this is likely to drop closer to 3% in March based on the latest forecast adjustments and scenarios. In a pessimistic scenario, based on the crisis extending beyond Q2 outside China, the worldwide IT market is more likely to grow by around 1%.

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<th>Year-Over-Year Growth, Comparison of January and February 2020 Black Book Forecasts</th>
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Source: IDC Worldwide Black Book February 2020

Note: IT spending growth in constant currency.

"The pessimistic scenario is not a worst-case scenario," added Minton. "Things are moving so quickly that we need to constantly recalibrate our assumptions and expectations, but the pessimistic scenario reflects an IT market in which weaker economic growth
translates into weaker business and consumer spending across all technologies over the next few quarters. Things could get worse, but hopefully not."

The Worldwide Black Book Live Edition is 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 be published alongside a "pessimistic scenario" for IT spending for as long as the crisis persists. The pessimistic scenario can be used to understand the potential impact of the crisis beyond current actual data indicators for GDP and IT markets.

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Contacts:

Stephen Minton
sminton@idc.com
+44 7435 753922

Michael Shirer
press@idc.com
508-935-4200

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For more information contact:
Stephen Minton
sminton@idc.com
+44 7435 753922
Michael Shirer
press@idc.com
508-935-4200