

IT Spending Indicators May Be Bottoming Out for Now but US Business Confidence Continues to Plunge, According to IDC COVID-19 Tech Index

FRAMINGHAM, Mass., May 21, 2020 – Leading indicators for IT spending appear to be stabilizing and bottoming out in many countries, reflecting a period of relative calm before economic lockdown measures are expected to be eased in the next few weeks. However, confidence levels in the US continue to plunge and US firms show a wide range of expectations, including some that anticipate even deeper cuts to IT spending than two weeks ago, according to a new update to the [IDC COVID-19 Tech Index](#).

In countries including China and Germany, overall IT buyer confidence has continued to improve. While the overall index in Europe and many Asia/Pacific countries remains below 1000, indicating a contraction in IT spending, scores have edged up slightly compared to two weeks ago in the latest IDC global survey of IT buyers. Market indicators in both regions have also stabilized with some countries gradually easing their lockdown measures and government stimulus spending continuing to provide some degree of short-term stability.

"While IT spending is still declining in Asia/Pacific and Europe, and some sectors of the economy will remain under severe pressure over the near term, there is some sense that we may have reached a turning point," said [Stephen Minton](#), vice president, [Customer Insights & Analysis](#) at IDC. "This is not yet a turning point in terms of returning to growth overall, but a sense amongst many businesses that if economic restrictions are eased carefully and gradually, and if there is not a major second wave of infections in the second half of 2020, things will not get worse and we will have a slow but steady recovery beginning in the third quarter."

The COVID-19 Tech Index uses a scale of 1000 to provide a directional indicator of changes in the outlook for IT spending

and is updated every two weeks. The index is based partly on a global survey of enterprise IT buyers and partly on a composite of market indicators, which are calibrated with country-level analyst inputs relating to medical infection rates, social distancing, travel restrictions, public life, and government stimulus. A score above 1000 indicates that IT spending is expected to increase, while a score below 1000 points towards a likely decline.

COVID Tech Index	March	April	May V1	May V2
Buyer Intent	1023	1006	983	982
Market Indicators	988	969	944	943
Total Index	1005	987	964	962
Source: IDC COVID-19 Tech Index, May 2020 (Release 2)				

Note: Index scores above 1000 indicate an expected increase in IT spending for 2020 overall; scores below 1000 indicates a projected decline.

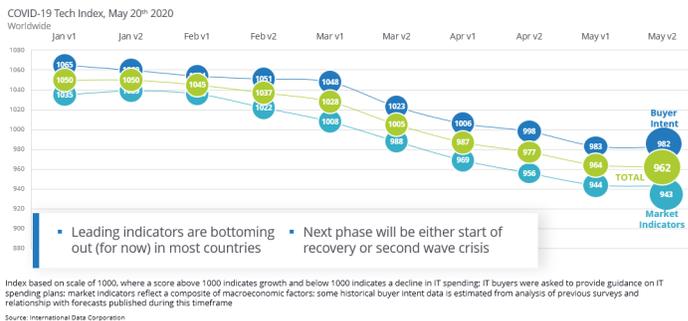
While confidence levels have stabilized in Asia/Pacific and Europe, they continue to plunge in the US where businesses now expect even deeper cuts to IT budgets this year than in the previous survey two weeks ago. There is a wide range of confidence levels among US firms with significant variation by region,

company size, and industry. Many companies remain confused by conflicting signals and are worried about a second wave of infections if lockdown measures are not eased carefully, while others remain concerned that the pace of ending restrictions is too slow.

"US firms are still very confused and the lack of business visibility is putting pressure on short-term IT planning," said Minton. "Whatever your opinion about the pace of ending economic restrictions, and what this will mean for a possible second wave of infections, what we all know is that a lack of visibility isn't good for IT spending or business planning in general. While there is a sense of things bottoming out for now in other parts of the world, we have not yet reached a similar broad consensus in the US that this point has been reached."

Figure 1

IDC COVID-19 Tech Index, 2020 - Worldwide



The IDC COVID-19 Tech Index is a leading indicator for IT spending, which is designed to provide rapid updates to changes in

buyer sentiment and underlying market indicators before these are factored into official market and macroeconomic forecasts. The index is based on a scale whereby a score higher than 1000 indicates growth in IT spending, while a score below 1000 indicates a decline. Complete results from the most recent index as well as additional research related to the pandemic can be found on IDC's COVID-19 microsite at <https://www.idc.com/covid19>.

The index is based on surveys of enterprise IT buyers around the world, who are asked to provide guidance on a variety of factors including general business confidence, overall IT spending plans and specific changes to budget allocations for individual technologies. Additionally, the index score is weighted with a composite of "market indicators" that include macroeconomic forecasts calibrated with inputs relating to medical data, social isolation measures, and the impact of government stimulus.

IDC will host a special COVID-19 Tech Index webinar on June 9th at 11:00 am U.S. Eastern time. In the presentation, Stephen Minton will discuss the most recent index results, the outlook for technology spending by region, and how the pandemic is impacting various organizations around the world. Details and registration for this

webinar are available at <https://bit.ly/2A1RDQ3>.

Learn how IDC can help your organization anticipate and respond to market changes brought on by the coronavirus pandemic. IDC's [COVID-19 resource site](#) offers research, market data, webinars, and blog articles that can help decision makers plan their next moves in response to the latest developments.

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For more information contact:

Michael Shirer
press@idc.com
508-935-5200
Stephen Minton
sminton@idc.com
+44 7435 753922