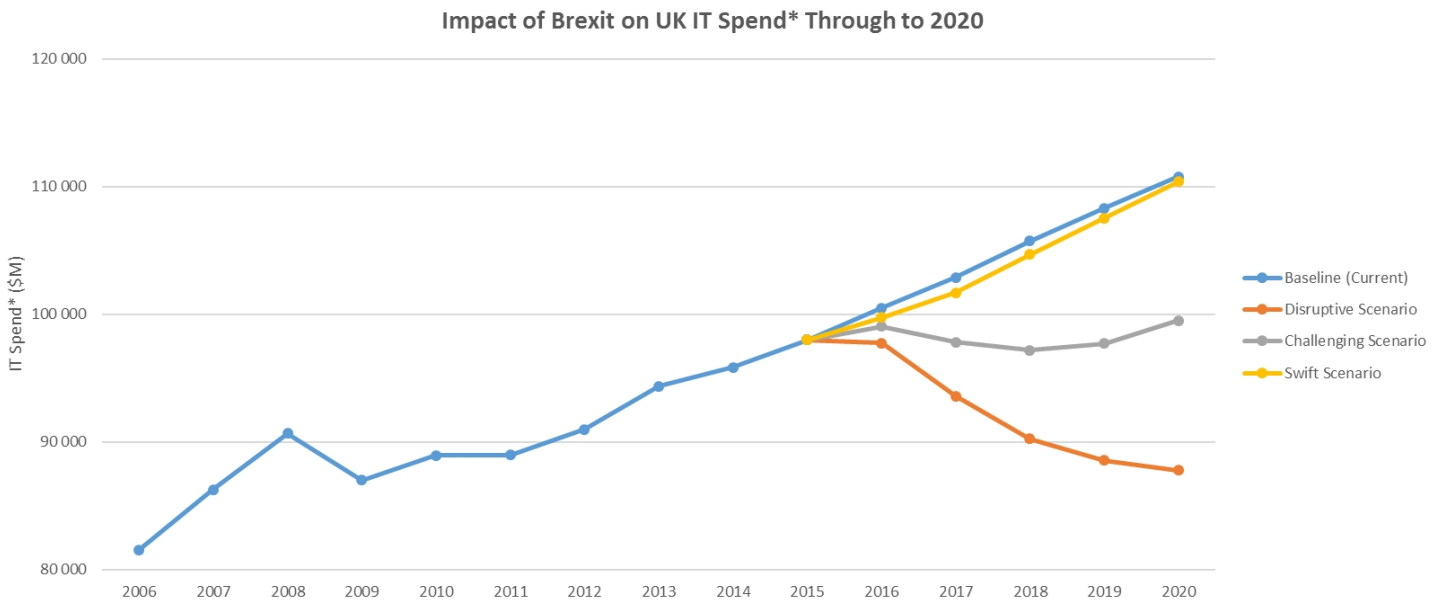
IDC predicts a "challenging transition" for the UK following the results of the recent referendum on its leaving the EU, even if the rest of Europe should remain "largely unaffected."

According to the analyst British IT spending is set to fall by a CAGR of -2% through to 2020.



* IT spend refers to Hardware, Software, and Services spend, excluding Mobile Phones and Telecom Services
Source: IDC European Research estimates based on IDC Worldwide Black Book, Version 1, 2016 - All data in Constant 2015 USD/EUR Exchange Rate

"The often dramatic experiences in the past decade have enabled leaders across the globe to establish risk processes and act in a more measured fashion. Based on recent feedback from a number of large enterprise leadership teams, we expect a 'wait and see' approach as the political and economic lines are redrawn," IDC says. "IT spending will likely shift, but the strategic transition towards the digital enterprise will remain, and in fact is likely to accelerate with a greater focus on cost optimisation and IT value to the organisation's bottom line."

IDC has a set of 3 forecasts on the impact of Brexit on IT spending on both the UK and W. Europe. The first, the "Challenging Transition," is the most likely, and sees a drop on UK GDP before a new bilateral agreement is reached in the medium term. The result is UK IT spending falling "slightly" in 2017 and 2018, but demand recovers in 2019 and 2020, leading to a return to pre-Brexit levels. W. European spending should remain "fairly" stable during the period.

The second forecast is the "Disruptive Transition," and is the most pessimistic. Here IDC assumes the EU is rocked by further economic uncertainty due to multiple referenda, leading to significant short-term decliens and struggles to achieve a rebound during the forecast period. Here UK IT spending is set to decline by a CAGR of -5% through to 2020 due to impacts by HQ, workforce and factory relocations.

The final forecast is the one least likely to happen-- a "Swift Transition," with strong leadership and an orderly Brexit process bringing about economic growth instead of short-term turmoil. Here UK IT spending drops slightly in 2016 before a swift rebound in 2017 and beyond, while European spending is unaffected.

"Looking at major initiatives currently being put on hold (such as the LSE-Deutsche Börse merger or Siemens freezing its new U.K. wind power investment), there is clearly a lot of uncertainty in the market, and in the disruptive scenario, we do see significant potential downside risks for U.K. and European IT spend if contagion in terms of copycat referenda in other parts of the EU become more realistic," said Douglas Hayward, co-lead for European Cloud research and AVP for European Services.

"We expect IT spend in financial services, manufacturing, and retail to be the most negatively affected by a Brexit decision, together with the public sector, which will face further cuts and austerity measures," the analyst concludes. "Restructuring the financial single market on one side and the impact on the UK current account on the other could potentially lead these industry sectors to struggle as a result of Brexit."

Go IDC Expects a "Challenging Transition" as a Result of Brexit