

IDC: Coronavirus Disrupts IT Spending Growth

Written by Marco Attard
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According to IDC, global IT spending is set to grow by 5% in 2020, as software and services investment remains stable while 5G drives smartphone sales growth-- but the uncertainty brought about by the coronavirus outbreak affects growth, at least in the short term.



As such, the analyst updates forecasts to show ICT spending, including IT spending in addition to telecom services (1%) and new technologies such as IoT and robotics (+16%) will increase by 6% in 2020 to \$5.2 trillion.

However, excluding smartphones, IT spending growth will drop from 7% in 2019 to 4% in 2020. Software growth is to decelerate slightly to less than 9%, while services growth will dip from 4% to 3%, but most of the slowdown comes from a PC market at the end of the recent buying cycle. As a result, 2020 PC sales are set to fall by -6%, down from the 7% growth seen in 2019.

"Much of this year's growth is dependent on a positive smartphone cycle as the year progresses, but this is under threat from disruption caused by the Coronavirus crisis," IDC says.

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"Our current forecast is for broadly stable tech spending in 2020, but PC sales will be way down on last year, while server/storage investments will not recover to the levels of growth seen in 2018 when hyperscale service providers were deploying new datacenters at an aggressive pace."

Hyperscale service provider spending should recover to 9% in 2020, up from 3% in 2019-- but this is short of the pace of 2 years ago. Cloud infrastructure and digital services providers should also increase IT budgets in order to meet strong end-user demand for cloud and digital services, which are to continue expanding at a double-digit rate of growth as enterprise buyers increasingly shift budgets to the as-a-service model.

The importance of China as an IT growth driver highlights the downside risk to short-term spending forecasts. After all, China was expected to post 12% spending growth in 2020, up from 4% in 2019, but the coronavirus will probably inhibit such growth to "something less." IDC points out it is too early to quantify the spillover impact on other regions, but it weights the risks more to the downside in the rest of the Asia/Pacific region, the US and W. Europe.

Moving on to the 5-year forecast, annual growth of 6% is expected to continue as digital transformation investments drive stability in overall tech investments. Strong growth should come from cloud, AI, AR/VR, blockchain, IoT, big data and analytics, and robotic deployments across the world, as businesses continue long-term transitions to digital while governments and consumers roll out smart city and smart home technologies.

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