

IDC revises its 2020 IT spending forecast to \$2.25 trillion, a -5.1% decline from 2019 brought about by the coronavirus (aka Covid-19) pandemic driving down some spending categories and short-term business investments.

% YoY Growth	2019	2020	2021
IT Spending	+5.0%	-5.1%	+5.0%
Telecom Spending	+0.5%	-0.8%	+0.7%
ICT Spending	+3.5%	-3.4%	+3.1%

Source: IDC Worldwide Black Book Live Edition, April 2020

Note: IT Spending growth at constant currency.

According to the forecast, ICT spending (including telecom and business services) will decline by -3.4% in 2020 to "just over" \$4tr, with telecom spending dropping by -0.8%. However, infrastructure spending is set to grow by 4% to \$237 billion, with resilient spending by service providers and ongoing demand for cloud services offsetting declines in business capital spending.

"Inevitably a major economic recession, in Q2 2020 especially, will translate into some big short-term reductions in IT spending by those companies and industries that are directly impacted," IDC says. "Some firms will cut capital spending and others will either delay new projects or seek to cut costs in other ways. But there are also signs that some parts of the IT market may be more resilient to this economic crash in relative terms than previous recessions with technology now more integral to business operations and continuity than at any time in history."

Overall spending on devices, including PCs and phones, will drop "significantly" in 2020, making it the main drag on total IT spending. The economic fallout will probably disrupt smartphone upgrade cycles, while the PC market was already expected to decline following the 2019 commercial refresh cycle. Infrastructure spending is still expected to post "moderate" growth, with businesses funding existing cloud deployments and some even looking to accelerate cloud

projects during the rest of the year as a means to control costs and defer capital spending on upgrades to on-premises datacentres and applications.

According to the analyst, most 2020 growth lies firmly in the cloud. Overall software spending should decline as businesses delay new projects and application rollouts, but companies still need to store and manage the vast amounts of data generated. As a result, most of such data is not only stored and managed, but also increasingly analysed in the cloud.

A "large portion" of services revenue will be relatively safe from spending cuts, at least if it relates to the management, support and operations of technology. In the meantime many companies are reluctant to reverse course on digital transformation, and IDC believes early adopters of cloud and other digital technologies are best positioned to ride out the current storm, if with the kind of direct impact of revenue no CEO or CIO ever saw coming.

Telecom spending should decline by around -1%, making it relatively stable compared to other kinds of technology investments. Carriers will continue investing in 5G network deployments in many countries, while the lockdown increases demand for fixed broadband services in the short term. The economic fallout will put macro pressure on consumer spending, including upgrades to 5G mobile contracts, in H2 2020, but IDC describes the overall impact on telecom spending as "moderate," at least compared to other ICT markets.

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