



Europe IT Spend Outlook

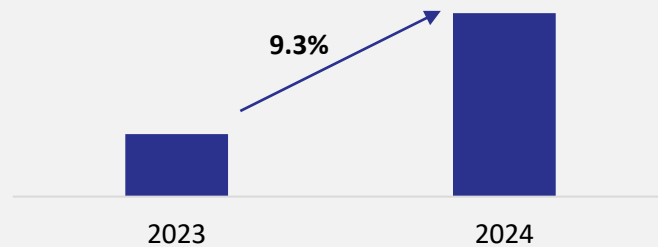
August 2024

Analyst firms expect IT spend to increase again in 2024, driven by digital push and ...

IT spending in Europe is forecasted to grow significantly in 2024 after reporting a decline in 2023. The decline was primarily due to the Ukraine war, high inflation, and supply chain issues. However, both macro and micro tailwinds are expected to drive IT Spending in 2024.

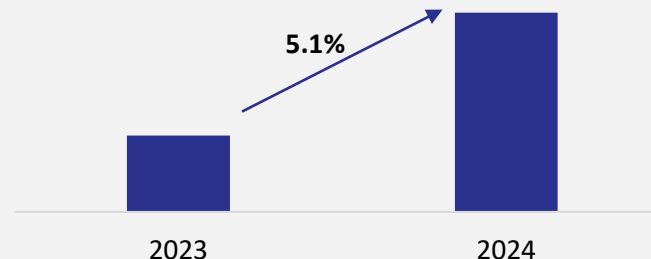
IT spend forecast for the current year

Gartner



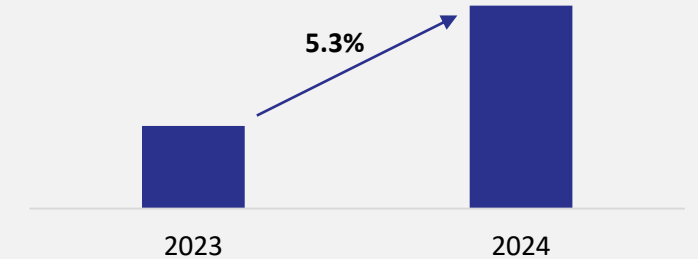
- IT spending in Europe is projected to increase to EUR 1.06 Tn in 2024 from EUR 970.21 Bn in 2023, reflecting a 9.3% increase
- Software spending in 2024 is expected to witness the highest annual growth rates (predicted to increase by 14.5%)

FORRESTER



- IT spending in Europe is expected to increase to EUR 1.47 Tn in 2024 from EUR 1.4 Tn in 2023, a 5.1% y-o-y growth
- IT service growth will be driven by enterprise digital maturity, cybersecurity, and digital innovation, along with computer service exports to the EU, particularly from the US, UK, and India

IDC



- IT spending is expected to reach ~EUR 1.1 Tn in 2024 from EUR 1.02 Tn in 2023, with a 5.3% CAGR
- Software and information services will see the highest increase in ICT spending by 2027, with a CAGR of over 10%

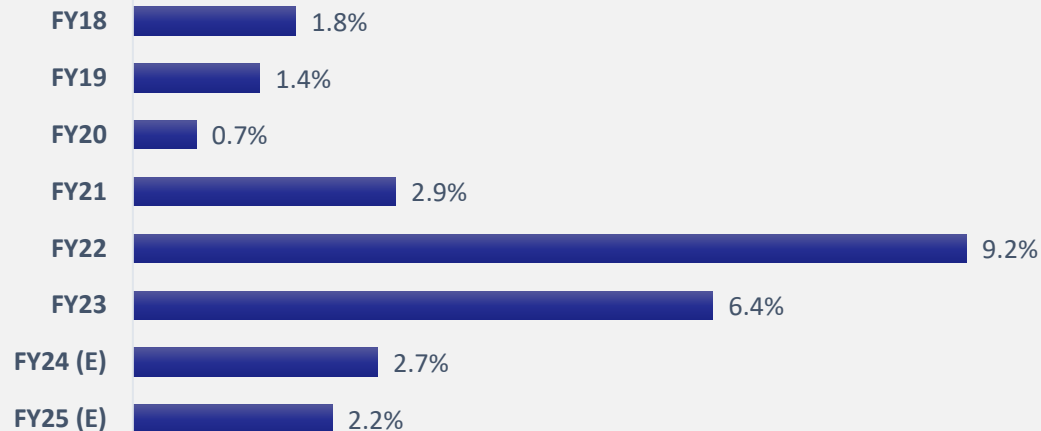
... macroeconomic factors such as decreased inflation in Europe

High inflation impacts consumer prices, decreases sales, and leads central banks to raise interest rates, which reduces corporate spending. With inflation decreasing after the 2021-22 rise and a continuous push for digitalization, Europe is expected to see growth in IT spending.

The decrease in inflation in Europe from 2023 onwards suggests a potential rise in investments across the continent

Organisations in Europe expect increased tech spending in 2024. They are optimistic about an increase in Europe's IT spending due to decreasing inflation

Harmonised Index of Consumer Prices (HICP) inflation in the EU



Source: Eurostat, European Commission



EU economy will grow, and inflation will decline further. Investment is predicted to get a boost from improving credit conditions. *(European Commission)*



Europe's recovery from high inflation in 2022 is firmly on track. The latest GDP data for the region show growth slightly above expectations. In 2025, easing financing conditions are projected to support a recovery in investment. *(International Monetary Fund)*





There is an aim to preserve the purchasing power of the single currency. Investors expect inflation in the region to continue to decrease in 2024, with an average of 2% in the second half of the year. *(European Central Bank)*



Digital tech adoption, particularly investments in cloud computing, and security concerns will outweigh the cost pressures and geo-political concerns

The dynamic landscape of IT spending in Europe is influenced by cybersecurity, efficiency concerns, digital transformation, technological advancements, and geopolitical disruptions. However, tailwinds are expected to outweigh headwinds, leading to an overall increase in spending.

Tailwinds

-  **Investment in Cloud Computing** > Enterprises are actively investing in cloud computing, cloud security, and infrastructure as a service (IaaS), enabling flexibility, agility, cost optimization, and enhanced innovation. According to Gartner, spending on IaaS in Europe is anticipated to surge by 27% in 2024
-  **Digital Transformation across Sectors** > The rapid adoption of robust IT solutions by enterprises across sectors such as automotive, oil and gas, utilities, and healthcare to bolster innovation and gain a competitive advantage will drive the IT spending of companies in Europe. According to European Commission, in 2023, nearly 60% of EU businesses achieved a basic level of digital intensity
-  **Cybersecurity Concerns** > Companies are enhancing cybersecurity spending in the cloud and planning for AI and GenAI adoption, ensuring a robust level of security. According to Gartner, spending on security and risk management in Europe will reach an estimated EUR 51.52 Bn in 2024, a 16% increase from 2023

Headwinds

-  **Cost Pressures and Efficiency Focus** > European CIOs are prioritizing cost control and operational efficiencies over new projects, which may limit IT spending to essential areas such as cybersecurity and cloud services rather than broader innovations
-  **Geo-political Tensions** > Ongoing geopolitical tensions, particularly related to Russia and China, are affecting trade and supply chains. The reduction in exports to Russia, leading to demand disruption and decreased profits, has negatively impacted IT investments by companies in Europe

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