

Press release

European ICT market to resume growth in 2010

- **EITO forecast: Recovery soon to follow sales decline in 2009**
- **Data services a fast-growing telecommunication segment**
- **Main crisis affected firms hesitant to start new IT projects**

Berlin, 24 June 2009

The European high-tech market is set for a rapid rebound following a growth intermission. That prediction was unveiled by the international research institute European Information Technology Observatory (EITO). EITO projects a 1.7% decline in sales of information and communications technology products and services in the EU in 2009 to €716.6 billion. Next year the market is seen rebounding 0.3% to €718.6 billion. "Though exposed to the effects of the economic crisis, the European high-tech industry will not be hit as hard as many other sectors," said EITO-Chairman Bruno Lamborghini. The IT and Telecom sector thus is faring significantly better than the overall economy. The EU Commission and OECD anticipate the European Union's gross domestic product (GDP) to contract by 4% this year.

According to EITO, the EU telecommunications market will amount to €362 billion, nearly unchanged versus the previous year's level after a 0.1% decrease for 2009. Major shifts are underway however among the different market segments. Europe-wide, fixed voice telephony services will fall 6.8% to €70.2 billion. "Consumers are increasingly switching from fixed to mobile and internet telephony," said Lamborghini. Both wireless and fixed-line data services are booming. Sales from internet access fees are projected to rise 7.2% in 2009 to €36.3 billion. The mobile telephony market will stagnate at €109 billion despite an increasing number of users. "Cut-throat price competition and regulations emanating from Brussels are weighing on mobile providers' sales," said Lamborghini. Driven by the recovery of mobile phone sales EITO expects that the telecom market will grow 1.0% in 2010 to €365.7 billion.

The EITO forecasts IT market volume to decline 2.2% in 2009 to €296 billion, dragged down by a projected 6.6% fall in sales of IT hardware to €85.7 billion. Hardware sales are plagued by falling prices and companies putting off IT

European Information
Technology Observatory -
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Bitkom Research GmbH

Albrechtstraße 10 A
10117 Berlin-Mitte
Tel. +49.30.944002-60
Fax +49.30.944002-45
www.eito.com
www.bitkom-research.de

Contact

Maurice Shahd
EITO Press Spokesman
Tel. +49.30.27576-114
Fax +49.30.27576-400
m.shahd@eito.com

Dr. Axel Pols
Chairman EITO Task Force
Tel. +49.30.27576-120
Fax +49.30.27576-400
a.pols@eito.com

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investments. Software and IT services are only down a moderate 0.3% to €210.4 billion. “Right now the amount of IT spending being done varies according to the user segment,” said Lamborghini. While buying is restrained on the part of manufacturing and automotive sectors, which have been sharply impacted by the crisis, the public sector and utilities are spending more. Lamborghini: “Companies are more selective in their investing behavior, but are more than ever interested in enhancing efficiency through new technologies.” This is reflected in an expected 5% increase in sales of outsourcing services Europe-wide, to €65.8 billion. In 2010 the overall IT market is forecast to resume growth of 0.6% to €297.9 billion.

Coming after several high-growth years, in 2009 the European market for digital consumer electronics is projected to shrink 8.2% on a sales volume of €58.5 billion. EITO sees falling spending on flat screen televisions as a primary driver behind the overall market downturn. Even as the number of flat screen televisions sold in the EU reaches a new high at approximately 42 million units, EITO predicts 2009 eroding prices will drive sales revenues down by 10.3% to €26.3 billion. Sales of digital cameras, MP3 players and navigation devices are also depressed, unlike Blu-ray players, digital set-top TV boxes and games consoles; sales of which are on the up.

Since 1993 the European Information Technology Observatory (www.eito.com) has been offering high quality and up-to-date information on European and global markets for information technology, telecommunications and consumer electronics. The EITO is managed by Bitkom Research GmbH, a wholly owned subsidiary of BITKOM, the German Association for Information Technology, Telecommunications and New Media. EITO collaborates with leading market research institutes including PAC, IDATE, GfK, and research activities of the EITO Task Force are supported by the European Commission and the OECD. EITO is sponsored by CeBIT, Deutsche Telekom, KPMG, Messe München, Red.es, Simo and Telecom Italia.