

European ICT market growing by a comfortable three percent in 2006

- **New EITO study confirms positive trend also for 2007**
- **Information technology, software and services growing strongly**
- **Telecommunications increasing in data services, Internet and broadband**

Frankfurt, 12th October 2006 – The market for information technology and telecommunications (ICT) will grow this year in the EU by 3.1 percent, to € 644 billion, according to the European Information Technology Observatory (EITO) in its latest study. The researchers confirm their early-year forecast of around three percent growth. “An overall positive business climate and improved general economic development together with new digital convergence technologies are favourable for ICT investment”, is how EITO Chair Bruno Lamborghini described the reasons for the positive trend in the industry. “European ICT markets are continuing to show positive growth.” Information technology is providing the leading contribution – growth in this segment, at 3.8 percent to a market value of € 305 billion, is particularly high. The telecommunications market is increasing less strongly, by 2.5 percent, to reach a total value of € 339 billion. The difference in growth between IT and telecommunications may become even greater – for 2007 the EITO experts are predicting 1.7 percent growth in telecommunications and a vigorous 4.2 percent for IT. Overall, the ICT market in the European Union is expected to increase by 2.9 percent in 2007, to € 663 billion.

Growth leader among the five largest markets in the EU at present is Spain, which is able to increase its ICT market this year by 5.2 percent. Then come the United Kingdom, with 3.3 percent, France with 2.7 percent, Italy with 2.0 percent and Germany with 1.6 percent. The Federal Republic continues to be the largest market for IT and telecommunications in Europe, closely followed by the United Kingdom. In 2007, the outlook will be slightly different: Germany is estimated to grow by 1.4 percent, Italy by 2.1 percent, and the United Kingdom will reach 2.9 percent. The ICT markets in Spain (4.5 percent) and France (3.1 percent) will display the largest growth.



Within information technology the software market, growing by 6.3 percent this year, shows the strongest dynamic. Here demand is particularly high for systems infrastructure and security solutions. Growth in the services sector is only slightly less, at 5.3 percent. Professional services such as outsourcing, consulting and system integration, are here driving the market. A lot of companies are seeking to increase their efficiency and productivity with the help of IT services providers. Software and services, according to the EITO forecast, will continue to grow at least as strongly in 2007. The outlook is less favourable at present for the market in computers. The server market is shrinking by 0.3 percent, and turnover in PCs by 1.2 percent. For 2007 the computer hardware market in the EU is expected to increase again modestly. Overall the experts anticipate an EU IT market value of a comfortable € 318 billion next year.

In telecommunications (TLC), the greatest pressure is on voice services. Mobile telephone services continue to grow by 3.8 percent but fixed voice telephone services are losing 4.3 percent this year in the European Union. The voice services market has in many places reached saturation and providers are competing with continuous price reductions. "Voice is still a cash cow but no longer a driver of growth", emphasised EITO head Lamborghini. "The future is in broadband services, IPTV, and fresh online content. Different opportunities coming from new applications related to the Web 2.0 development in the digital IP convergence scenario also are playing a major role." That the TLC sector is still showing an overall increase of 2.5 percent is explained by an enormous increase in demand for Internet and data services. European companies in this area are making 10.6 percent more turnover than in 2005. Fixed broadband services will also continue to be in demand both in 2006 and 2007. Developments in other market segments are expected to continue in 2007: fixed voice telephony again will shrink by 4.3 percent while data services increase further by 7.8 and mobile voice telephony is expected to grow by 2.8 percent. The telecommunications market next year will reach a volume of € 345 billion.



“The boom in broadband lines, together with the strong recovery of software and IT services markets, open new opportunities for Europe to actively participate in the new digital challenges at world level”, was Lamborghini’s analysis. European ICT companies are generally well equipped to face global competition. “The European Union has a strong foundation in all areas and an enormous potential in skills, culture, knowledge, innovation and creativity.” There are, of course, also obstacles to be overcome: “What is needed is reduced fragmentation of effort, full acceptance of change by industry and governments, and focusing of policies and strategies on common targets. According to Thomas L. Friedman’s well known book, the ‘World is Flat’, but Europe still has to move faster to become itself a really ‘flat’ region”, said Bruno Lamborghini.

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Tables and figures related to the European ICT market are available for download at EITO’s website: <http://www.eito.com/tables.HTML>

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