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Romanian IT market hits €2bn

Source: „IT market in Romania 2009. Development forecasts for 2009-2013”

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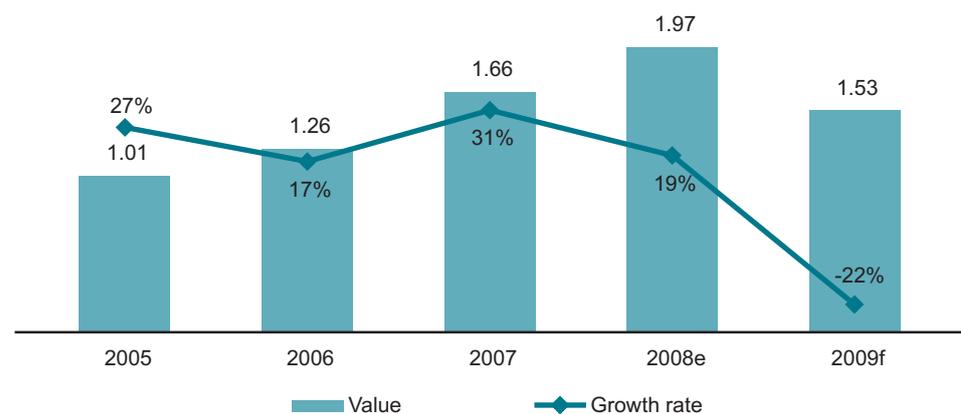


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The Romanian IT market hit €2bn in 2008, marking it as one of the fastest developing markets in the whole Central and Eastern European (CEE) region. In 2009 the role of government projects will be critical for support of the Romanian IT market. During this period, when the sales of hardware and IT systems are on the decline under the impact of the economic slowdown, public IT spending has become a “stability island” for vendors.

The IT market in Romania skyrocketed in value after the country’s accession to the EU. In 2008 sales of hardware, software and services almost reached a total of €2bn, while market year-on-year growth exceeded 19%. At the same time, the Romanian IT market still remains significantly immature. PC penetration in the country has amounted to just 25%, one of the lowest levels in the region of the CEE. Implementation of full-scale ERP and other IT systems is not the standard case even in large and medium companies and the banking sector in general.

Value (€ bn) and growth rate (%) of the IT market in Romania, 2005-2009



e – estimate
f – forecast

Source: Report “IT market in Romania 2009. Development forecasts for 2009-2013”, PMR Publications, 2009

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In spite of impressive progress achieved over the last few years, qualitative characteristics of the Romanian IT market remain more relevant to the emerging IT markets. First of all, computer hardware dominates in Romanian IT sales. In 2008, the share of hardware was 74% while software and IT services accounted for the remaining one quarter. In the ongoing situation of crisis, new purchases and hardware upgrade will be postponed, causing the segment to shrink.

The overall slowdown in the EU together with the financial crisis has caused Romania to restrict consumption loans. This directly hit retail hardware sales, which decreased by 30-50% in the first quarter of 2009. Foreign direct investments in 2009 are going to be cut nearly by half, from €9bn to €4.6bn of expected value. Exports are also decreasing.

The situation in Romania is especially interesting due to the contradictory forecasts and opinions expressed by key market participants. Computer distributors expect hardware and box software sales to be at least 30% lower in 2009. System integrators and software vendors also expect the market to decline. Oracle Romania, the leading IT employer, cut up to 10% from its staff of 1,200. The big domestic vendor Totalsoft plans to cut 15% of its employees. Taking a contrasting position, however, the official position of the government is that the market will continue to grow this year and will not be affected significantly by the crisis.

In our opinion there is no doubt that the IT market in Romania will decline in 2009. On the other hand, over the medium term, the aforementioned low market maturity represents a great opportunity for growth, especially in the less-developed segments of software and IT services. But alone, just having low IT maturity could not be enough for sustainable development. How big the decline will be and how fast the Romanian IT market will recover depend heavily on government policy. There are good chances that the decline of IT in the country will not be deep and the market will re-start growth soon.

After all, the Romanian government is a serious IT buyer in the country. The share of public spending exceeds 10% of the total IT market. The government also has sufficient leverage to stimulate the economy and IT demand. In 2009, the role of the government in shaping the demand for IT will be critical. Romania is approved for approx. €20bn of support and loans from international financial institutions, which gives the government sufficient resources to continue development of IT projects, including development of e-government services. An internet portal with public e-services called e-Guvernare is planned to be launched in 2009; this will facilitate the use of IT by business participants. During this most critical year of 2009, these spending ventures will maintain the market and at least partially offset the decline in FDI.

On a longer term, however, the role of the main demand driver should move from public IT spending and big corporate sector to small and medium-sized companies. This process will take time and represents a challenge for the government and an opportunity for domestic companies, which will need to build tailored solutions for this market segment.

The article is based on the report entitled "IT market in Romania 2009. Development forecasts for 2009-2013", which was published by PMR Publications in May 2009.

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