

GERMANY

AID TO RECOVERY: THE ECONOMIC IMPACT OF IT, SOFTWARE, AND THE MICROSOFT ECOSYSTEM ON THE ECONOMY

October 2009

Sponsored by Microsoft

KEY FINDINGS

Economists have long recognized the important role information technology (IT) can play in a country's development. As the IT sector helps lead us out of the worst global recession in more than 50 years, that role will be even more important.

To quantify the direct benefits of IT on local economies as we head toward recovery, IDC has studied the relationship between IT, software, the Microsoft ecosystem and the economies of 52 countries, including Germany.

Key findings for Germany:

- ☒ IT spending in 2009 will be 62 billion EUR (\$90.1 billion). From the end of 2008 to the end of 2013, IT spending will grow 1.7% a year, compared to GDP growth of -0.4% a year.
- ☒ IT-related activities will generate 52 billion EUR (\$76.8 billion) in taxes in 2009. Over the next four years that means more than 7 billion EUR (\$10.8 billion) in aggregate net *new* taxes.
- ☒ That spending growth means that employment in the IT industry and of IT professionals in IT-using organizations will rise by 94,000 jobs in the four years from the end of 2009 to the end of 2013, up from a 2009 base of 1,576,000.
- ☒ That represents growth of 1.0% a year from now through 2013, while overall employment is expected to shrink.
- ☒ Software drives activity in the services and distribution sectors, as well as in IT-using organizations, which means that while spending on packaged software will be only 24% of total IT spending in 2009, 62% of IT employment will be software-related.
- ☒ The IT market will drive the creation of nearly 3,000 new businesses between now and the end of 2013. Most of these companies will be small and locally owned organizations.

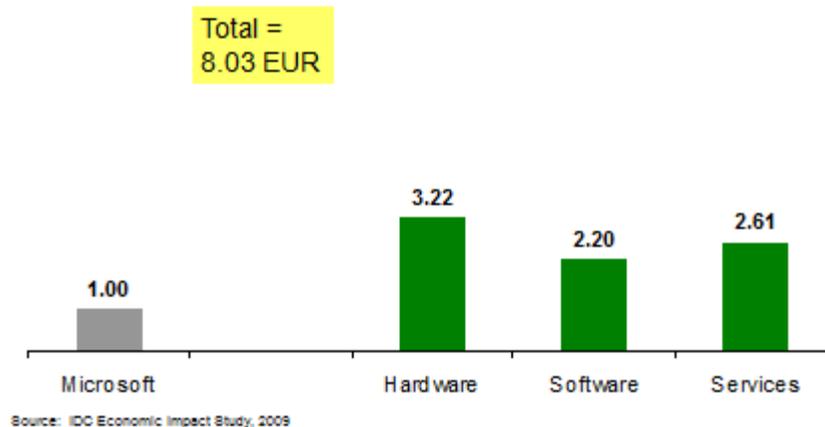
For more information on the global IDC study, see *Aid to Recovery: The Economic Impact of IT, Software, and the Microsoft Ecosystem on the Global Economy*, October 2009. For details about methodology and definitions, see *Economic Impact Study Methodology and Definitions*, October 2009.

THE MICROSOFT ECOSYSTEM

The Microsoft ecosystem in Germany includes those companies that sell PCs, servers, storage, and smart handheld devices running Microsoft software; software vendors that write applications that run on Microsoft platforms; resellers that sell and distribute these products; and service firms that install and manage Microsoft-based solutions, train consumers and businesses on Microsoft products, and service customers for their own applications. It also includes companies that do combinations of these functions. Note these additional findings:

- ☒ As a group, companies in the Microsoft ecosystem in Germany will generate more than 21 billion EUR (\$31.9 billion) in revenues for themselves in 2009. For every EUR Microsoft will make in Germany in 2009, companies in the local ecosystem will make 8.03 EUR.
- ☒ To generate those revenues, companies in the local ecosystem will drive more than 7 billion EUR (\$10.9 billion) of investment, most of it in the country.
- ☒ Companies in the Microsoft ecosystem employ 223,000 people; IT-using organizations employ another 362,000 IT professionals who work with Microsoft software or the products and services based on it.
- ☒ Together, these employees will account for 37% of IT-related employment in 2009 and 41% of IT-related taxes in the country.

Ecosystem Revenues vs. Microsoft Revenues



GROWTH THROUGH INNOVATION

Seven years after the third major high tech crash in the last 50 years, the industry is flush with new technology, from new servers and client devices and new storage and networking technologies, to new software architectures and delivery models.

Together, these new technologies are ushering in what may be a new paradigm of computing, known variously as cloud computing, cloud services, or dynamic IT. Microsoft calls it Software plus Services.

The promise of this new way of computing, which involves the use of Internet-based services and intelligent clients and devices, is that businesses, governments, and educational institutions will be able to lower the capital costs of IT and increase the amount of their IT budgets that can be devoted to innovation, rather than to the maintenance of legacy applications and infrastructure.

This new type of computing is in its infancy – while IDC estimates that this year it will account for about 1% of IT spending in Germany, that percentage may triple over the next four years. Despite that small footprint, the economic benefits can be significant. If that amount of IT spending is applied to innovation more effectively than it is today, IDC estimates that cloud services could add more than 21 billion EUR (\$31 billion) in net *new* business revenues to Germany's economy between the end of 2009 and the end of 2013.

SUMMARY AND OUTLOOK

The IDC research reinforces the conclusions drawn in academic research – namely, that IT is good for local economies. The economic benefits quantified in this study will help Germany grow, create new jobs, improve the efficiency of its labor force, and support the formation of new companies. The economic benefits not quantified in this study but referenced in the academic research help drive productivity improvements throughout a country, increase competitiveness, and foster local innovation.

The table below summarizes some of the key IT industry metrics covered in the study.

IT Profile and Forecast: Germany

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 08-13 CAGR |
|---|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| Spending (Million LOCAL) | | | | | | | |
| IT Hardware | 21,172 | 18,933 | 18,366 | 19,129 | 19,730 | 20,180 | -1.0% |
| Software | 14,469 | 14,579 | 14,892 | 15,439 | 16,140 | 16,960 | 3.2% |
| IT Services | 28,043 | 28,080 | 28,584 | 29,516 | 30,759 | 32,210 | 2.8% |
| Total IT | 63,685 | 61,592 | 61,842 | 64,084 | 66,628 | 69,351 | 1.7% |
| IT Contribution | | | | | | | |
| IT/GDP (%) | 2.5% | 2.6% | 2.6% | 2.7% | 2.8% | 2.8% | |
| IT Tax Revenues (Million LOCAL) | 54,471 | 52,495 | 52,633 | 53,577 | 54,725 | 56,455 | 0.7% |
| Total Number of IT Companies | 81,402 | 80,671 | 80,771 | 81,654 | 82,624 | 83,629 | 0.5% |
| IT Employment | | | | | | | |
| Total Number of Employees | 1,591,391 | 1,575,680 | 1,581,500 | 1,607,510 | 1,637,554 | 1,669,751 | 1.0% |
| Total Software-Related Employees | 946,798 | 974,397 | 976,837 | 961,278 | 956,316 | 958,006 | 0.2% |
| Cloud plus Clients | | | | | | | |
| Net New Business Revenues (Million LOCAL) | - | - | 1,610 | 3,746 | 6,367 | 9,596 | |

Source: IDC Economic Impact Study, 2009

Copyright Notice

External Publication of IDC Information and Data — Any IDC information that is to be used in advertising, press releases, or promotional materials requires prior written approval from the appropriate IDC Vice President or Country Manager. Copyright 2009 IDC. Reproduction without written permission is completely forbidden.