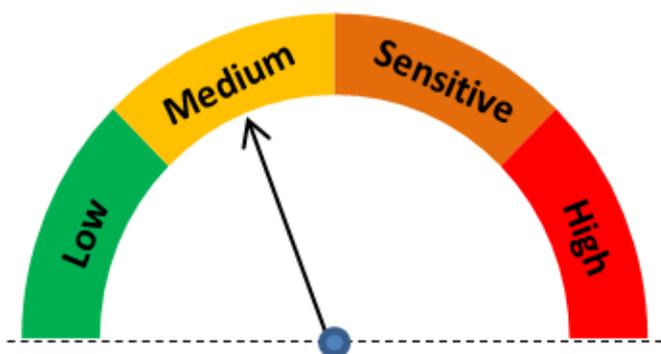


## Sector Risk Rating



## What to Watch?

- Successful launches of new products and services which make current products obsolete
- Frequent mergers & acquisitions weakening medium-sized companies
- The current phase of digitalization could increase the risk of an IT services bubble
- Ongoing price pressures despite robust innovation

## Long-term growth sustained by innovation

The Information and Communication Technology sector (ICT), comprising a wide range of activities from electronic components to telecommunication services, will continue to enjoy dynamic growth in 2017. We expect revenues to increase by +4.0% after +3.6% in 2016.

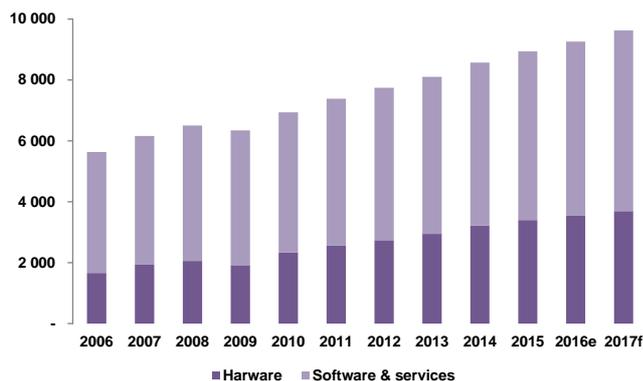
At present, the services segment represents the main part of the sector with 65% of sales. While all segments are expanding in emerging economies (+4.8% expected in 2017), especially the hardware (+4.9%) segment, lower growth in advanced economies (+3.2% in 2017) is boosted by the telecom equipment (+3.7%) segment.

Being the bedrock of innovation and the source of a multitude of game-changing products, the sector's influence goes far beyond its estimated 6% share of global GDP.

Digital innovation revolutionizes the value chain and promotes new actors while the *smart-cities* trend offers opportunities for new services and operators.

Despite its apparent maturity, the sector remains under constant pressures from: (i) declining prices; (ii) the need to constantly renew the goods and services offered; and (iii) relations between manufacturers and service providers.

Information & Communication Technologies Gross Output (real USD bn)



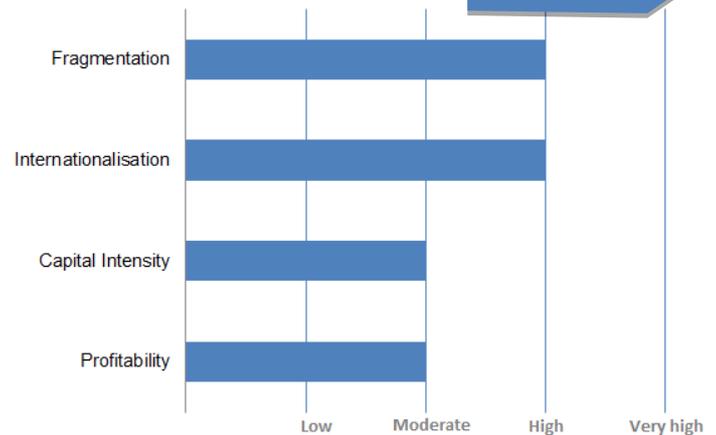
Sources: Oxford Economics, Euler Hermes

Sector Value:  
**3,112bn**  
 USD

## Key Players

Country	Role	Sector Risk
China	#1 producer #1 exporter #1 importer	●
United States	#2 exporter #2 importer #3 producer	●
Japan	#3 producer #6 importer	●

## ID Card



## Strengths

- High capacity to innovate
- Widespread adoption of new technologies
- Driver of growth and productivity of the global economy
- Increasingly interconnected systems and objects ("Internet of Things")

## Weaknesses

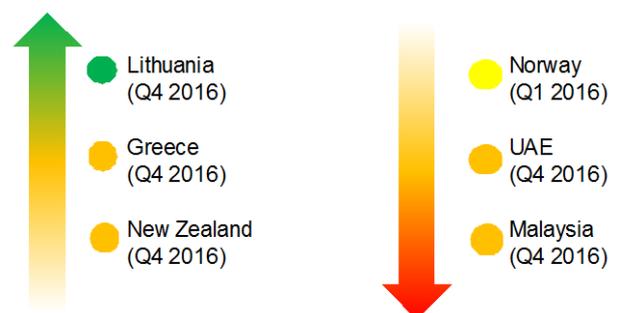
- Low value-added for a few standard products
- Consolidation in IT services comes on the heels of growth boosted by digitalization
- Retailers and manufacturers have unequal purchasing powers
- High R&D intensity

## Subsectors Insight

**Network equipment:** A highly competitive market with sustained expected growth. Network equipment is required to support widespread adoption of technological advancements related to big data and cloud computing.

**Services:** Huge demand spurred by the digitalization of the economy, yet suffering from price pressures.

## Recent Sector Risk Changes



### DISCLAIMER

These assessments are, as always, subject to the disclaimer provided below.

This material is published by Euler Hermes SA, a Company of Allianz, for information purposes only and should not be regarded as providing any specific advice. Recipients should make their own independent evaluation of this information and no action should be taken, solely relying on it. This material should not be reproduced or disclosed without our consent. It is not intended for distribution in any jurisdiction in which this would be prohibited. Whilst this information is believed to be reliable, it has not been independently verified by Euler Hermes and Euler Hermes makes no representation or warranty (express or implied) of any kind, as regards the accuracy or completeness of this information, nor does it accept any responsibility or liability for any loss or damage arising in any way from any use made of or reliance placed on, this information. Unless otherwise stated, any views, forecasts, or estimates are solely those of the Euler Hermes Economics Department, as of this date and are subject to change without notice. Euler Hermes SA is authorised and regulated by the Financial Markets Authority of France.

© Copyright 2017 Euler Hermes. All rights reserved.

View all Euler Hermes  
 Economic Research online  
<http://www.eulerhermes.com/economic-research>

Contact Euler Hermes Economic  
 Research Team  
 ✉ [research@eulerhermes.com](mailto:research@eulerhermes.com)

Last review: February 2017  
 Sector Risk Analyst: Didier Moizo  
 ✉ [didier.moizo@eulerhermes.com](mailto:didier.moizo@eulerhermes.com)