



2023 Outlook- Technology Sector



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The year 2022 witnessed global paradigm shifts in the technology sector. The year started on a positive note as technology companies posted robust growth supported by economies making a strong come-back from the COVID-19 pandemic. However, as the year progressed, fears of an economic slowdown, recession, and an ongoing war gripped the sector with pessimism plateauing short-term growth prospects.

Despite all odds faced by this space, this year comprised multiple marquee events, some of which were:

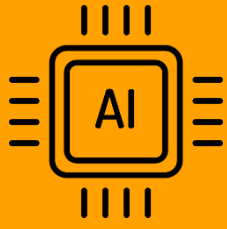


The cryptocurrency crash wiped out over USD 2.1 trillion worth of investor wealth in June 2022 triggered by a tremendous fall in the values of cryptocurrencies like Bitcoin, Dogecoin, and Shiba Inu.

Elon Musk's acquisition of Twitter for a whopping USD 44 billion price tag after a long-drawn takeover saga



Widespread employee layoff by global tech companies like Facebook, Google, and Amazon due to impending recession fears and from a profit sustainability perspective. More than 20,000 employees were laid off by tech startups (including Byju's, Udaan, OYO, Ola, Cars24, etc.) in India alone.



Open.AI made the headlines when it launched its AI-powered chatbot ChatGPT which became the fastest SaaS product to cross 1 million users in less than a week. In January 2023, Microsoft invested over USD 10 billion in Open.AI.

On the domestic front, new-age technology companies faced sharp corrections in their valuations on the public markets as seen in Paytm, CarTrade, and Zomato. The same repercussions were also felt by the private companies that were forced to re-consider their high valuations, burn rates, and contemplate delaying their IPO plans as PE investors started focusing on profitable companies.

Outlook 2023:

Despite the current ongoing crises globally, it is projected that there will be high demand for IT services in 2023 as businesses are expected to advance their digital initiatives in response to the tech-led disruption making waves in the economy. As a result, global IT spending is expected to reach USD 4.6 trillion in 2023, up 5.1% from the previous year, indicating a brighter year for technology companies to look forward to.

As major global economies face a looming recession threat, companies based in these countries may shift some projects and deliverables to lower-cost markets like India. Cloud initiatives, artificial intelligence, automation, and cybersecurity projects are expected to continue dominating the sector. This year could also experience significant strides with respect to progress and innovation in the Web 3.0 space. With Web 3.0 achieving higher traction and acceptance during 2022, it is expected to expand its horizon to offer higher utility and use cases.

In India, the launch and fast adoption of the 5G technology are expected to improve network and internet connectivity in remote areas, bolstering the technology revolution. Another trend expected to emerge in the coming year

is the strong rise of tech-enabled businesses rivaling traditional technology businesses, thus driving investor focus to consumer-centric technology businesses.

Lastly, on the start-up front, new-age digital start-ups are expected to be pushed by investors to achieve profitability in an accelerated manner, even if it requires decelerating growth for a while.

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