

Tech calms down, but still strong as the world goes digital

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New iPad Pros are displayed at an Apple Store, Friday, May 21, 2021, in New York. The latest iPad Pros will work on ultrafast 5G wireless networks. Technology company stocks are in rest mode this year, but what may seem like weakness as the economy recovers is really just dormancy. Digital devices, software and even cybersecurity will be the key areas for steady growth as consumers and businesses become more digital in how they operate, analysts say. Credit: AP Photo/Mark Lennihan

Technology company stocks are in rest mode this year, but what may seem like weakness as the economy recovers is really just dormancy.

Digital devices, software and even cybersecurity will be the key areas for steady growth as consumers and businesses become more digital in how they operate, analysts say. The virus [pandemic](#) made that digital shift much sharper when people were forced to work, shop and stay entertained at home and that trend is only going to become more ingrained.

"Looking ahead there are a lot of trends that accelerated during the pandemic that have staying power even as the economy reopens," said Kristina Hooper, chief global market strategist at Invesco.

Tech stocks have been quiet most of this year, with a roughly 6% gain, as investors take advantage of growth elsewhere with the economic rebound. It's a sharp contrast to 2020, when the sector surged 42%. And while 2020's sharp growth will likely not be repeated, [tech companies](#) and their stocks are poised for long-term growth well past the pandemic.

The pandemic tied more people to [mobile devices](#) and other technology for work, shopping and leisure. While some semblance of the pre-pandemic normal is returning, many of the habits formed in 2020 will remain. Remote work will likely become more common for many fields and companies will have to spend more to ramp up cloud-computing capabilities and cybersecurity.

Many companies had to pivot from in-person meetings to virtual meetings and companies like Zoom Video Communications Inc. were suddenly household names. That tech is likely now a permanent part of work.

"While employees are returning to the office, they're not returning full

time and we'll still need significant investments in tech," Hooper said.

Businesses will be forced to speed up their digital transformation plans by at least five years as more companies permanently adopt work-from-home measures, according to a report from research and advisory firm Gartner. Spending on [information technology](#) in 2021 could jump nearly 5% to \$332.9 billion.

Another key trend brightening the future for tech is the broader adoption of digital living as more people become accustomed to shopping through mobile devices, using [digital services](#) for financial transactions and even shifting leisure activities to the digital world.

Online shopping just for common, everyday packaged goods exploded through the pandemic, according to NielsenIQ. Consumers spent \$110 billion via [online shopping](#) on household goods and other items through 2020, marking a 50% increase from the prior year. The pandemic is seemingly winding down and bringing more people back to stores, but companies expect the online trend, with its ease and time-saving benefits, to remain a strong part of sales going forward.

Amazon.com was probably the best positioned company during the pandemic and it's solidly positioned moving past the virus. Many other companies have had to swiftly beef up their online capabilities. CVS, Target, Macy's and a wide range of other retailers have increased investments in systems that allow for online ordering and either delivery or easier pickup from stores.

"Organizations are ramping up digital transformations as open technologies become less of an advantage and more table stakes," NielsenIQ said, in a February report.

Corporate spending helped the sector flex its earnings muscles during the

first quarter, even as [company](#) stocks weren't seeing much of a boost. Tech companies within the S&P 500 reported earnings growth of more than 40% and the sector had the most companies beating Wall Street forecasts.

The results helped justify the high prices for many of the stocks, analysts said, and show that the sector remains a strong investment even if the shares aren't gaining ground at the same rates seen in 2020.

"What's happening now is some reorientation of where people are diversifying," said Jamie Cox, managing partner at Harris Financial Group. "Tech is doing just fine as things normalize."

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